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17 SEPTEMBER 1991



# ***JPRS Report***

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# **East Europe**

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# East Europe

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**Green Party Leader on Elections, Soviet Coup**

*91BA1066A Sofia TRUD in Bulgarian 26 Aug 91  
pp 1, 4*

[Interview with Aleksandur Karakachanov, Green Party chairman, by Plamen Kamenov; place and date not given: "If the Opposition Does Not Blunder Once Again the Bulgarian Socialist Party Will Lose the Elections"]

[Text] [Kamenov] Even the coup in the USSR was unable to promote good relations between the "dark-blues" and the "light-blues!" We here, in TRUD, had already decided to delete the section on "all against all until the full victory of communism...."

[Karakachanov] Unfortunately, such is the case. Clearly, matters in the SDS [Union of Democratic Forces] have gone quite far.... As to the coup, I am somewhat bothered by the fact that it proved to be so sterile. Let us hope that this proves that even in the USSR the situation cannot be changed with coups. These are different times. Russia was floored with lightning-quick changes. However, it should not go to the other extreme, for society would be simply unable to withstand them....

[Kamenov] To the BSP [Bulgarian Socialist Party] everything is clear: Its leadership waited to see what would happen. To the opposition, however, the strengthening of the coup makers would have meant going back a number of years.

[Karakachanov] Nonetheless, there was a consolidation although we once again tried to extend a hand to the SDS-movement.

[Kamenov] Nonetheless, the Green Party was the only "blue" group which did not generate a double. This probably irritates the "revolutionaries."

[Karakachanov] Probably. Actually, I would not be astounded in the least if tomorrow the National Coordination Council announced as a legitimate member the small group that held a "national conference" last Saturday in Plovdiv. So far at least, the SDS scenario movement was of that kind. Hardly anyone would pay attention to the fact that representatives of no more than four out of 170 of our organizations attended.

[Kamenov] One way or another, the SDS-liberals already proclaimed their participation in the elections with a separate ballot. Who are you betting on?

[Karakachanov] On the liberal principles: One must first produce and only then divide the product.

[Kamenov] You are getting very close to adopting the views of the Bulgarian Business Party....

[Karakachanov] That is true. However, unlike them we are interested not only in production but also in the way in which the ordinary person can see his interest in such production.

[Kamenov] You're taking the risk that few people will understand you. It would be a different matter to promise success and security....

[Karakachanov] I believe that everyone has heard and seen enough of populism. We do not intend to neglect the "social umbrellas." The emphasis is elsewhere: reviving the initiative of the government's commitment "to influence" the early expansion of production. In order to give one must have something! There must be economic and social freedom of the individual, consideration of the interests of the private owner, and great attention to agriculture. What matters is not only to shout "down with communism!" but also to know what to replace it with. Our program provides such answers.

[Kamenov] What percentage of the vote could the SDS-liberals rely on?

[Karakachanov] A minimum of 11 percent. This makes us a necessary target of coalition ambitions in the future parliament.

[Kamenov] What is your attitude toward the trade unions?

[Karakachanov] It is positive toward those who would like to be professional trade unionists and not professional politicians; those who look at things soberly and to whom extremism is alien.

[Kamenov] How do you assess the activities of the government in the miners' strike?

[Karakachanov] The ministers seem to begin to realize that to be in the opposition is one thing and to govern, another. State interests are involved. Actually, as the mayor of Sofia, I was able to experience that.

[Kamenov] Last Friday, however, the cabinet unexpectedly turned its back on the KNSB [Confederation of Independent Syndicates in Bulgaria], which was precisely defending the national interests! This marked the latest cabinet flirtation with Podkrep....

[Karakachanov] This proved that the government is not far-sighted. However, this event should open the eyes of the independent trade unions as well.

[Kamenov] How can this be combined with the need for a parliamentary trade union lobby, let us say?

[Karakachanov] If the trade unionists become candidates through a political force, I see nothing bad in it. It is all a question of reciprocal interests. Does Podkrep not have its own people in the present parliament??

[Kamenov] Let us turn from trade union relations to the SDS. There are 50 days left until the elections. If the three "blue" groups do not help each other, should they at least sign an agreement not to obstruct each other?

[Karakachanov] We have repeatedly asked for this, at least on 10 separate occasions! No clear answer was received, and the hidden answer is that the movement

would rather sign such an agreement with the communists than with us. I hope, nonetheless, that shortly before the elections some people will become reasonable. If nothing else, I believe that many people have understood that we have not taken up the path of cooperating with the communists. We simply have our own principles, which we defended even before 10 November.

[Kamenov] As is usually the case in domestic policy arguments, we were about to forget the national problem.

[Karakachanov] This is true. This problem has still not been presented entirely clearly in the electoral platforms. What is our thesis? First, Bulgaria must have a stable army. This would enable us to protect the security and tranquillity of the country, for the strong can help themselves. Second, we must become part of the European security system. Third, it must be made clear to all that Bulgaria is a state with a single nationality in which the ethnic groups are part of the Bulgarian nation. In that sense the very registering of the DPS Party is unconstitutional....

[Kamenov] What is your view on the Serbian aggression in Croatia?

[Karakachanov] The government should commit itself to a clear position, for then it will be the turn of Macedonia, in which a very large number of Bulgarians live.

[Kamenov] Forgive me for changing the topic once again, but what do you think of Filip Dimitrov? On the one hand, he is a member (and even, although former, deputy chairman) of the Green Party; on the other, he is the chairman of the National Coordination Council of the SDS-movement.

[Karakachanov] This is his personal problem. In my view, Filip has simply been displaying a lack of character in a number of cases.... He has no clear position....

[Kamenov] Finally, let me ask you the following: Could the BSP win this year's elections as well?

[Karakachanov] It has been said that in the Balkans anything could happen.... However, I do not believe that June 1990 will be repeated, particularly after the latest events in the USSR. That is unless the opposition does not commit some kind of huge stupidity.... But no, I do not believe that!

[Kamenov] Actually, what was the greatest stupidity committed so far?

[Karakachanov] The fact that the dark-blue "revolutionaries" strengthened the BSP with their shouts of "Death!" and "Confiscation!"

I believe that the parliament could have passed a law according to which the BSP would return the property it acquired illegally! At least 20 people of its parliamentary group would have voted "yes!" However, boys like Fasho Yordanov and company started waving their

sticks and wrecked everything.... (Actually, where was Mr. Yordanov before 10 November? I do not remember him anywhere....) It is high time for the people to find out about such things!

However paradoxical it may sound, it was the opposition that helped the people in the BSP who did not wish any changes. This was what was most regrettable.

### Information on Radical Democratic Party

91P20480A Sofia VEK 21 in Bulgarian 21 Aug 91  
pp 4-5

[Editorial Report] VEK 21 in Bulgarian on 21 August carries a number of items on pages 4 and 5 relating to the Radical Democratic Party's [RDP] Second (Extraordinary) Congress held in Sofia on 17-18 August. Among the items are a list of members of the leadership bodies elected at the Congress, a brief history of the party, and a list of prominent people who are RDP members.

The list of members of the Executive Committee of the RDP are:

1. Elka Konstantinova.
2. Aleksandur Dzherov.
3. Aleksandur Yordanov.
4. Mikhail Nedelchev.
5. Nikolay Slatinski.
6. Asparukh Panov.
7. Stefan Khadzhitodorov.
8. Emil Kapudaliev.
9. Yordan Ganev.
10. Andrey Andreev.
11. Rumen Urumov.
12. Georgi Panev.
13. Lazar Georgiev.
14. Khoze Kaneti.
15. Atanas Atanasov.

The members of the Auditing Committee are:

1. Todor Darakchiev.
2. Atanaska Lingorska.
3. Kiril Velev.
4. Dora Necheva.
5. Zhana Sharankova.
6. Zhasmina Tsoneva.
7. Marin Marinov.

The members of the National Party Council [NPS] of the RDP are:

1. Elka Konstantinova of Sofia.

2. Aleksandur Dzherov of Sofia.

3. Aleksandur Yordanov of Sofia.

4. Mikhail Nedelchev of Sofia.

5. Nikolay Slatinski of Pernik.

6. Asparukh Panov of Sofia.

7. Emil Kapudaliev of Sofia.

8. Stefan Khadzhitodorov of Sofia.

9. Rumen Urumov of Sofia.

10. Andrey Andreev of Plovdiv.

11. Yordan Ganev of Sofia.

12. Geno Genov of Veliko Turnovo.

13. Atanas Atanasov of Kurtovo Ko.

14. Khoze Kaneti of Sofia.

15. Vasil Shavulev of Gabrovo.

16. Ivanka Sharkova of Pazardzhik.

17. Nikolay Lambov of Nesebur.

18. Stefan Bakurdzhiev of Kazanluk.

19. Konstantin Fichev of Troyan.

20. Veselin Nikolov of Plovdiv.

21. Georgi Panev of Sofia.

22. Katya Atanasova of Burgas.

23. Emil Stoyanov of Stara Zagora.

24. Lazar Georgiev of Sofia.

25. Panayot Abadzhimarinov of Turgovishte.

26. Lyubomir Minchev of Sofia.

27. Nadezhda Aleksandrova of Sofia.

28. Emil Chernev of Vratsa.

29. Dimitur Mochev of Razgrad.

30. Konstantin Kamberov of Pirdop.

31. Soyan Pavlov of Sofia.

VEK 21 notes that in addition to the members elected at the Congress, the NPS includes as statutory members the 28 representatives of the okrug regional councils.

The brief history of the party provided by VEK 21 is as follows:

**December 1989:** Restoration of the RDP; membership in the SDS [Union of Democratic Forces].

**7 March 1990:** Legal registration of the RDP.

**17 March 1990:** First issue of VEK 21 published.

**March 1990:** First National Conference.

**June 1990:** Participation in the parliamentary elections on the SDS ballot.

**14-15 July 1990:** First Party Congress.

**January-March 1991:** Active international relations and political contacts; meetings with Ronald Reagan, Hans-Dietrich Genscher, Graf Otto Lambsdorff, and others.

**2 March 1991:** Acceptance as an observer-member of Liberal International.

**17-18 August 1991:** Second Extraordinary Congress of the Party.

**August 1991:** 140 local organizations; three national interest clubs: "The Liberal State," "Revival of Culture," and "Andrey Sakarov"; a Federation of Young Radical Democratic Clubs; Association for the Diffusion of Knowledge; "Citizens."

VEK 21 gives the following positions and names of prominent Radical Democrats:

Chairman of the Legislative Committee of the Grand National Assembly: Aleksandur Dzherov.

Chairman of Science and Education Committee of the Grand National Assembly: Elka Konstantinova.

Deputy Chairman of the SDS National Coordinating Council and Speaker of the SDS Parliamentary Group: Mikhail Nedelchev.

SDS Organizational Secretary: Associate Professor Georgi Ganev.

Director of Ecclesiastical Matters at the Council of Ministers: Metodi Spasov.

Chairman of the Sofia SDS City Coordinating Council: Dr. Yordan Todorov.

Chairman of the Plovdiv SDS Coordinating Council: Veselin Nikolov.

Chairman of the Veliko Turnovo SDS Coordinating Council: Associate Professor Geno Genov.

Spokesman of the SNS [Sofia People's Council] Associate Professor Khristo Dimov.

**Prime Minister's Adviser Nedyalkov Interviewed**  
*91BA1046A Sofia VEK 21 in Bulgarian 14 Aug 91 p 2*

[Interview with Andrey Nedyalkov, special adviser to the prime minister, by Rumyana Menkadzhieva; place and date not given: "The Government Is a Lightning Rod"]

[Text] Andrey Nedyalkov was born in September 1950 in Sofia. He is a graduate of the Lenin VMEI [Higher Machine-Electrical Engineering Institute] (today the Technical University), where he specialized in industrial economics. He has worked as an engineer and, subsequently, as a journalist for the newspaper OTECHESTVEN FRONT. Since 19 December 1990 he has been special adviser to Prime Minister Dimitur Popov. He has not been nor is he now a member of a political party. He is divorced and has no children.

[Menkadzhieva] Is it easy to work with Prime Minister Popov? How long is your work day?

[Nedyalkov] It is excellent to work with Mr. Popov. He is a highly erudite person and a highly skilled jurist, which is a prerequisite for working in a law-governed style in all areas. He uses no unnecessary words and his pace is as efficient early morning as it is late at night. Closed circle meetings with Mr. Popov start at about 8:30. The working day is about 12 hours, plus Saturdays and Sundays. The entire team has synchronized its work with high efficiency: The close circle consists of seven to eight people, each one working in his own basic area; most of us are young.

[Menkadzhieva] On 2 August the parliament passed a law on extending the treaty between the Bulgarian Republic and the Soviet Union. What are the views of the government concerning an eventual new treaty?

[Nedyalkov] Obviously, the time left to the present cabinet is a few weeks or a few months, before its mandate expires. This means that the signing of a new treaty between Bulgaria and the USSR will be a matter for the next cabinet. For the time being, the draft is in the hands of the experts, at the stage of refining viewpoints and options....

[Menkadzhieva] Mr. Nedyalkov, there are formulas which bother me, for they are taking the appearance of cliches: "Let us preserve social peace" or "let us preserve civil peace." They are being used by the prime minister, the cabinet, and the president. What is the specific meaning of such formulas?

[Nedyalkov] Businessmen, parliamentarians, and politicians from other countries have all emphasized the great importance of the fact that in Bulgaria, in such a rather complex area as the Balkans, changes are taking place peacefully. They immediately cite the examples of Romania, Yugoslavia today, Albania.... Which offer a strong contrast, which speaks very positively for our side. It is being said that the Bulgarian people and Bulgarian forces are proving their maturity. In order for

a reform to be successful it needs suitable conditions. For more than eight months, in the first noncommunist government for the past 45 years, we have been implementing a change, a reform in the political and economic areas. In order for the reform to proceed calmly and in order to be able to accelerate the pace of the change there must be calm. Any disturbance of the peace, any clash (let us not even mention casualties), and any disruption of the calm can obstruct the reform. Furthermore, all the economic aid that is being sent is consistent with the situation. Capital is very sensitive and never goes into countries where there are disturbances. An investor must be secure in the knowledge that wherever he invests his capital the regime will be stable and so will the laws. Proof that the Bulgarian situation is rated positively is the letter that Mr. Popov received several days ago from Mr. Jacques Delors, president of the commissions of the European Community, stressing that this autumn it would be entirely realistic to initiate talks on refining the rather complex procedures that would enable Bulgaria to join the European Economic Community. Naturally, this will be a lengthy process.

[Menkadzhieva] From the international point of view the situation looks very good. The question, however, has its domestic political aspect: What, in your view, disrupts civil peace more: a strike, let us say, of the homeless, a strike by miners, a hunger strike by the deputies; or else a lasting discontent that develops in people forced to take unpaid leave, people who, for the past two to three months, have not been paid for their labor? In other words, if we speak of social peace as such, what could explode the social peace: actions that are within the framework of the law on civil rights and freedoms or else an accumulated internal, concealed dissatisfaction caused by purely economic reasons?

[Nedyalkov] In all democratic countries strikes are a normal instrument for the manifestation of discontent. They are regulated and entirely legal. This does not endanger the social peace in a country as long as the strike formulates realistic demands. The communist legacy faced the government with innumerable problems in all economic sectors.

The economic situation of our country is very difficult, and currently unemployment is in the vicinity of seven percent of the work force (about 270,000). However, this is the official figure, for the so-called hidden unemployment also includes people who do not earn a salary and those who earn a minimal salary, as well as people who have not registered with the unemployment bureaus. The problem is very serious, unquestionably, and it is understandable that a person in economic difficulty would show discontent. The government, however, is not acting in such a way as to throw anyone on the street.

[Menkadzhieva] Some political forces are accusing the government of failing to follow the accepted program and for the fact that in the past few days the price of

bread has risen to four leva. This government has assumed the complex function of lightning rod for the people's discontent....

[Nedyalkov] You said it best: lightning rod. However, in all countries, the executive authority has always been the target of accusations. That is why it is also known as the executive. The formula of this government, which includes representatives of different political forces, in itself provides opportunities for accusations. However, we must take a global viewpoint: In the past seven and a half months we have accomplished a great many things to develop the system politically and economically, and to make the democratic process irreversible. I can state that the legacy that we shall leave to the next government will not be burdened by the problems that we inherited from the previous two communist governments headed by Andrey Lukyanov.

The latest governmental resolution on measures for economically influencing the production process and the marketing of agricultural and foodstuffs of prime necessity has been enacted.

[Menkadzhieva] The elections are approaching. The situation is complex, for there will be elections for a new parliament and elections for local authorities....

[Nedyalkov] The government is indeed facing a very difficult problem: The president has promulgated a ukase according to which both parliamentary and local elections, i.e., double elections, will be held on 29 September....

[Menkadzhieva] To begin with, how much will this cost?

[Nedyalkov] We have computed the costs several times and, bearing in mind that last year the cost was 25 million, according to the new prices the cost will be about 70 million leva or maybe even higher.... There is extremely little time and we are facing the risk of being unprepared by 29 September. All depends on when the National Assembly passes the necessary laws. Meeting all the conditions stipulated in the law is a very delicate matter. The electoral lists must be ready by the end of August. Many deadlines have not been set precisely and cannot be met if we want to have an honest electoral struggle. Voting for people who live abroad is another problem, for the administrative procedure is very cumbersome. There also are territorial problems in some municipalities, which insist on being divided as a result of structural imperfections. Another problem is that of the small settlements where people will have to choose a national representative, municipal council members, and a mayor all in a single day: They will have to vote with a number of ballots.... Will everyone be able to find his way?

One thing is unquestionable: The elections will be more difficult than those held last year and will be of tremendous importance to Bulgaria. The government must be given the opportunity to do its work with precision and calm.

**National Security Service Director Interviewed**  
*91BA1047A Sofia 168 CHASA in Bulgarian 6 Aug 91*  
*p 21*

[Interview with Colonel Chavdar Petkov, director of the National Security Service, by Zoya Dimitrova; place and date not given: "The National Security Service Is Changing Its Objectives but Not the Technology of the Craft"]

[Text] According to Colonel Chavdar Petkov, basically, it is possible to make the archives public. Eight people had shown an interest in the Georgi Markov file before its destruction.

Colonel Chavdar Petkov, director of the National Security Service (formerly NSZK [National Service for the Defense of the Constitution], formerly DS [State Security]), is a Virgo, has legal training, is 44 years old, 20 of which he spent in counterintelligence. Married, he has two children. He speaks two foreign languages. What distinguishes him from many other people is that to him to call someone a journalist is not a swear word. He is accessible and, with such an accessibility, he somewhat destroys the sinister myth of the Man Who Knows Everything Happening in the Country.

[Dimitrova] Mr. Petkov, once again, this time in relation to the Yugoslav events, Bulgaria's name has been mentioned in the arms trade. Basically, this is a trade like any other, is it not?

[Petkov] Yes, Bulgaria can be proud of the quality of its defense industry. However, something that remains outside the law is the lack of control concerning the end user. We sold weapons to Syria and Lebanon, and subsequently those weapons were captured from Bolivian terrorists. From the legal viewpoint this is of no interest to us but in fact we turned out, willy-nilly, to be coparticipants in a phenomenon described as "state-sponsored terrorism," and were listed among the countries involved in it. It is not a question simply of trade in firearms but in rockets, ammunition, antitank shells (used in a number of terrorist acts), explosives, computers, and other types of troop-control equipment. There have been no bases for terrorists in Bulgaria, as there had been in the former GDR. However, we have trained groups working with such equipment. This was a stipulation in intergovernmental contracts. The Bulgarian Government supported national liberation movements, and the extent to which these national liberation movements were linked to terrorist groups is a fact that also explains why Bulgarian weapons have been seized in the commission of terrorist acts.

Currently this state policy is being reviewed and time is changing the values.

[Dimitrova] The MVR [Ministry of Internal Affairs] law renamed your service the National Security Service. However, it deprived you of the right to detain someone even at the site of the crime. Does this mean that you are

turning into something like a national information service, like other similar services? Are you pleased with this qualitatively new aspect?

[Petkov] Yes, naturally. The public justifiably mistrusts such services, for starting with their very creation after World War II, the people could see, feel, and experience essentially their repressive function, detentions, Lovech, Belene.... However, this does not mean in the least that no useful activities were being carried out very secretly. Everything was secret, and that which was not secret involved some kind of pressure. The main change made in the National Security Service is one of priorities; the emphasis is on real things, which are of universal importance to the nation. We are speaking of an institution created to serve durable social interests and not a group of individuals.

How were we depoliticized? Very easily, for most of my colleagues did not have the feeling that they were serving some kind of nomenclature but Bulgarian interests.

[Dimitrova] There is constant talk of the participation of former State Security officers in companies whose activities are of a questionable nature. Once again the press is mentioning Vulo Goranov, a former DS colonel, who has a company in Vienna, and who became known as the result of the trial of Zhivko Popov. In the past few months data have emerged showing the efforts of Abdul Khamid Shamma, also known as Viktor Martin Radev, who holds both Bulgarian and Syrian citizenship, to establish a new clandestine channel for smuggling. Using his own company, the General Trading Company, Shamma is trying to purchase old boats from the Bulgarian River Navigation Administration, and to obtain permission to use the airfield in Vidin. This would enable him to organize the traffic of goods that, with the help of members of the former State Security, would remain outside the control of the competent Bulgarian authorities. The notorious Komko Company also employs former members of the former State Security. This list could be extended. Are these companies owned by State Security?

[Petkov] These are not companies belonging to the National Security Service, for we do not have the legal right to own companies. Your question touches upon something else: the employment of former members of our service. They may be marketing specialists, having had contacts in such circles, and knowledgeable in the study of markets and commercial competition. Such people are in great demand, for they know their craft.

Currently there is turmoil in the country on the subject of companies: There are ghost companies and companies whose object of activities remains undefined; the line dividing state from private companies has been eroded. This offers an opportunity to set up companies whose object of activities is questionable. However, this is a transitional period and soon everything will fall in its proper place. How long such companies will last is a different matter, for a small, an insignificant percentage

of them, are engaged in production work, while most of them are brokers. Here is an example: Cheese goes through eight brokerage companies and from an initial price of eight leva ends up at 25.

[Dimitrova] Does this mean that your former personnel could be used to serve your purposes?

[Petkov] Unquestionably. It is part of the practice of the special services to use companies in pursuit of their own objectives. However, this is not being done at the present time.

[Dimitrova] Therefore, the existence of such cadres is advantageous?

[Petkov] Potentially, yes. However, this also depends on the reason for which these people left the service. If they left it feeling insulted, they would hardly be willing to cooperate.

[Dimitrova] Do you not fear that your best specialists will leave you because of better opportunities for making money on the outside?

[Petkov] This problem does exist, although for the time being we are not lacking in specialists. Here the possibility of making money is insignificant, our colleagues earn roughly the social minimum. The trend that they may leave us precisely for that reason is there.

[Dimitrova] Your former personnel are familiar with all the fine points of the craft. They know you and the methods of operation of the service. Where are the better ones: on the outside or inside the National Security Service?

[Petkov] The best are still within the service but many of them are outside it as well.

[Dimitrova] There are rumors in Sofia that most of the former personnel of the former Sixth Department of the Sixth Administration took with them whatever documents they were able to take and are presently engaged in blackmailing some of our political personalities with them.

[Petkov] Let a political leader who is being blackmailed come to the director of the service and name the blackmailer. I can assure you that immediate measures would be taken.

[Dimitrova] Is it possible for any employee, should he wish to do so, to "take" out of the files whatever interests him?

[Petkov] We have a strict system of access to the archives. In principle, however, the possibility exists. Otherwise, it would become necessary to search the person entering or leaving, which would be degrading. All officials are morally committed, and have their personal standards, written or unwritten.

[Dimitrova] What are the criteria for a person to become a member of the Secret Service?

[Petkov] I would not say that particular changes should be made in the technology of the craft. Essentially, whether a professional is truly suitable for such work becomes clear in three to five years. The operative craft is not a science. It is learned from experience and work on real projects. The secret agent, whether a foreigner or a Bulgarian citizen, helps the service more than he does the person he is facing.

After a while it may become apparent that a newly-appointed official is not suitable for such work despite his willingness. In this service, however, there are a number of activities in which he could be useful.

[Dimitrova] You are among those working on the case of Georgi Markov's assassination. I know that you cannot reveal investigation secrets but, nonetheless, has anything new occurred?

[Petkov] I do not agree that Bulgarians were involved in the assassination of Georgi Markov or the claim that Bulgarians participated in the attempt on the life of the pope. The Bulgarians do not deserve such insults. The guilt was personal and one of a small number of people. What I can say is that the operative file on Georgi Markov was read by eight people before it was destroyed. The names of these people are known. They were not members of the former State Security.

[Dimitrova] Well-informed sources claim that the statements made by General Oleg Kalugin are part of a well-developed KGB operation, the purpose of which was to shut Todor Zhivkov up on the subject of the assassination of Georgi Markov. Is this possible?

[Petkov] Some people believe that there are no extraterrestrial forces. In principle, however, I do not exclude such a possibility.

[Dimitrova] Will General Vlado Todorov return from Moscow?

[Petkov] I believe that the fact that General Vlado Todorov has not returned from Moscow confirms Kalugin's version.

[Dimitrova] Do you believe that something definite will be established in connection with Georgi Markov's death? Or do you believe it as much as you believe in extraterrestrials?

[Petkov] More or less. I would rather like it to be settled, for this will clear up a painful event in our recent past.

#### **Finance Minister on Government Debt, Deficit**

91BA1045A Sofia OTECHESTVEN VESTNIK  
in Bulgarian 6 Aug 91 p 2

[An open letter by Finance Minister Ivan Kostov to former prime minister Andrey Lukyanov: "How Does the Government Debt Grow 'Without Deficit'?" ]

[Text] There are two mysteries for which there is no explanation so far. One is: How did the country's foreign debt grow without the Grand National Assembly's ratifying even a single loan agreement? By whom and how was, for example, the Bulgarian Foreign Trade Bank forced to accumulate such a colossal debt, and what are the mechanisms for such catastrophe? The other mystery is: How did the country's domestic debt increase over the last 10 years without showing large deficits accounted for in the state budget? This is a topic that merits discussion, and the letters exchanged between myself and Mr. Andrey Lukyanov in OTECHESTVEN VESTNIK, issues 13706, of 20 June, and 13724, of 16 July, establish a basis for it.

The year 1990 can be taken as an example of how the country's domestic debt grows. The government requested temporary additional credit from the Bulgarian National Bank, which was to be used for: first, the 1990 deficit; second, the shortage of funds in the State Crediting Fund; and third, Bulgaria's deposits in leva in the International Monetary Fund [IMF]. The deficit of 1990 is the resulting quantity obtained only after reflecting all credits and debits in the annual budget accounting. According to the budget auditing plan, at the end of last year this deficit was supposed to be 1,800 million leva, and in connection with this, please note that the credit requested by the present government is greater, that is, there is an additional increase of the previously programmed deficit. The issue with the final deficit for the 1990 budget is still not resolved. But it is clear, even now, what the elements for the country's government debt increase for last year are.

I am separating the debt increase from the budget deficit on purpose. That is because with the accounting system for our financial transactions and cash, it is possible for the country's debt to grow without this being caused by the deficit, that is, without "deficit."

First example: The country's debt is increasing because the State Crediting Fund program was not carried out. According to it, (I mentioned this fund for the first time on 9 January during the Face to Face television program) the spending of 850 million leva was foreseen. It must be emphasized that this fund is not part of the budget expenditures. During the year, 1,060 million leva were allocated instead of 850 million, because according to decisions made by the Council of Ministers to freeze projects and to supply the Belene AETs [Nuclear Power Plant] with equipment according to contract, and according to Decision No. 106 of the Bureau of the MS [Council of Ministers] of 17 May of this year, this fund has been burdened with additional expenditures of over 236 million leva. At the same time, however, citizens' savings accounts in the DSK [State Savings Bank], one of the sources of funds, did not reach the expected 650 million leva. There are 350 million leva less than expected for objective reasons. There is no growth in savings, which would allow DSK to finance the State Crediting Fund. As a result of improper predictions of

savings dynamics, and as a result additional commitments, there is the need to allocate an additional 560 million leva. This amount, strictly speaking, cannot be added onto the government budget deficit, because it is the State Crediting Fund's deficit, which is not part of the budget. But let us ask: Where can the state find these funds? The government had to pay for completed construction and installation work, and had no other place to get these funds, except by including them in the additional credit from the BNB [Bulgarian National Bank]. Actually, this is the way the government's debt increased without, at the same time, having this reflected directly in the 1990 budget.

Second example: The questionable income in the budget of the amount of 236 million leva from our state receipts from Libya. Because of unexplained data during an oil deal and absence of complete accounting by the Khimimport Company, the foreign exchange and financial results from the completed transactions for oil imported over the period of May 1989 to December 1990 using state credit were not taken into consideration until 31 December 1990, at which time they were reflected as follows: Using leva equivalence, the Bulgarian Foreign Trade Bank covers part of the given credit in leva for the export to be carried out. The difference of 236 million leva was frozen and Khimimport and Neftokhim were audited. The problem with the receipts is that Libya made payments not only to the state, but also to a number of state companies. For example, construction organizations such as Tekhnointerstroy, Bulgargomin, and others are also paid with oil. This way various institutions claim different values for this oil. The audit explained the situation in June when it was proven that these funds are from the state credit and so they could be included in the budget. We feel that the income was received in the middle of the year and must be accounted for precisely that year. If we consider the opposite, the question rises as to where can the budget treasury find these funds to finance expenditures in 1990. Who will finance the state for six months without a decision by the National Assembly, while losing significant amounts of interest income?

A third example is the covering up of government debt growth with imaginary receipts. Receipts about which only people interested in hiding the budget deficit and the debt growth can talk. According to information from the BNB referred to in Mr. Lukonov's letter in OTECHESTVEN VESTNIK, the amount quoted for account No. 663 "undeniable decreases in capital investments" of 730 million leva does not match the information from the accounting data of the Sofia Commercial Bank, where this account is kept. According to the enclosed verification, this amount came to 554 million leva, but according to a second verification of normative order it is obvious that this amount does not represent withdrawals from the government budget and that it was spent during the period 1986-89 on normative grounds, while the balance of 34 million in the account represent property of the Bulgarian National Bank. The motives

for insisting that undeniable decreases in capital investments in the past, almost in the middle of the decade, be accounted as income in the budget precisely in 1990 are unknown. It is unknown what the normative grounds for the budget's claims regarding this amount are. It is known, however, that this amount has been spent and that it has increased the government debt.

A fourth example is of the type where financial commitments are made at the expense of the following government. Such is the case with Bulgaria's deposits in leva in the International Monetary Fund. The agreement was signed at the end of January, but the IMF did not present any claims to the government since it had settled matters with the previous government. This way, in the very beginning of this year, an unknown large expenditure of such a size appeared that it was impossible to cover it up because of the meager income. Later, this amount was divided with the Bulgarian National Bank in two equal parts and the budget part was set up as state deposit.

We now confront the many-sided nature of the government debt growth. The types of this growth are quite different. Very rarely does the debt increase as pure budget deficit. Most often it is because of commitments made by the previous government, which must be paid by the present one. Did anyone know, for example, that this government had to pay over 110 million leva for the transportation of Vietnamese workers, and that the agreements with Vietnam were made so poorly that the expenses of sending the Vietnamese workers back had to be paid from the budget treasury. The one hundred-plus transferable rubles withdrawn by Vietnam were to be repaid with meager deposits by these Vietnamese workers, but even so, the large debt remained unpaid. And then, at one given moment, this colossal budget expenditure appeared, which no one could have predicted because someone had been hiding this expenditure. We are now expecting many such surprises. Surprises that are potential deficit and which will appear in the budget of this government as well as future ones, because this is the concealed debt of the state.

A fifth example is offered by the devaluation with respect to the transferable ruble. Over the last year, our economy went colossally into the red with its trade with East European countries, not counting the Soviet Union. A state trade debt was formed that no company wanted to pay off because of the changed foreign and domestic market with an exchange rate of 1.05 leva per transferable ruble. To stimulate payment of this debt, the government devaluated the national currency with respect to the transferable ruble. The exchange rate of the latter into leva went up from 1.05 leva to 3.50 leva. The difference of 2.45 leva, of course, came from the budget. This way the entire export for payment of negative balance for 1990 will be divided into two parts: one in the amount of one-third as payment for imports, and a second one in the amount of two-thirds from the budget. This way the budget for this year will be burdened with additional expenditures for a debt actually incurred during last year. In the future, if new devaluation of the

lev with respect to the transferable ruble becomes necessary to activate trade with East European countries even more, then the expenditures for this will again have to come from the state budget.

A sixth example allows the formation of debt at the expense of the state reserve. Financial resources of total value of 620 million leva were unfrozen last year from the state reserve. Fuel, grain, newsprint, and all kinds of other materials were used by the state and mobilization reserve of the country, and these resources were included in the budget income for 1990. But are these funds income when the reserve has to be restored and restored according to the new prices, at that? If the former government has depleted the state reserve resources, then it is obvious that it has left the debt to the present government, which has the duty to restore the reserve. How should the amount of the resources, which have to be allocated in this year's budget to restore the reserve, be determined? After the prices changed, the total amount of necessary funds, according to a report on the management of a state reserve, is two billion leva. Whose debt are those two billion leva? Of course, this is the debt of Mr. Lukanov's governments. The conclusion comes about by itself. I came to this conclusion on the basis of my findings way back in the beginning of this year. With his behavior, with his policy, Lukanov's two governments and the preceding government actually increased the state debt to a degree even higher than my initial evaluations.

Finally, some notes regarding the foreign debt issue. The commission formed by the present government is working hard on the question of the mechanism of foreign debt increase. Several interesting points can be made now.

#### Formally, Bulgaria Has No State Foreign Debt

This is the debt the Bulgarian Foreign Trade Bank has with foreign commercial banks and governments. According to the same formal logic, no one can be accused of having contributed to the foreign debt growth, because the National Assembly has not made direct decisions to increase the foreign indebtedness of the country. It has not ratified agreements for state loans. And it has not, by the way, ratified agreements for Bulgaria to make loans to other countries, either. And this is regardless of the fact that according to the constitution active then, such agreements had to be ratified. This was avoided with a practice called Currency Plan of the Country, which was an amendment, and a strictly secret one at that, to the Law on the People's Economic Plan. The people's deputies passed the law in general numbers the way it was presented to them, but were not warned about the strictly secret amendment by the State Planning Committee, according to which the country's debt was increasing at the rate of 1.2 billion to 1.6 billion dollars per year. At the same time, the size of the necessary indebtedness for the year was recalculated according to the needs and according to certain consideration of former governments. Once permission was

obtained by the Law on the People's Economic Plan, it remained active for the entire year and became the reason for the foreign debt increase of the country. In practice, this was hiding the increase of the foreign debt from society and at the same time untying the hands of those who made the decisions. Now these same people are acting in a strange manner. They have joined us in looking for the source of the debt. Their behavior can fool only gullible people. The people who made decisions in our country, made the debt grow completely intentionally; they did it understanding the situation of our economy and did it in spite of that situation.

The foreign debt is directly related to two macroeconomic indicators. One is the size of exports in convertible currency, while the second is the size of the hard currency reserve of the country. With certain parameters of exports and reserve, the debt cannot exceed certain limit because this becomes dangerous for the integrity of the national economy. These conditions are known to every economist. It is known that the debt cannot exceed certain size because catastrophe becomes imminent. Those who made the decisions to increase the debt beyond the natural economic limits are responsible for the national catastrophe.

Among them, and not in the last place, is Mr. Lukanov himself. Every decision, regardless of whether it was an oral order to the Bulgarian Foreign Trade Bank, or a written one to take out additional credit on the basis of the secret hard currency plan of the country, is a crime against Bulgaria. It was clear that the moment would come when it would be impossible for all this not to come out. And that moment came in the beginning of 1990. That spring something truly intolerable was done. Lukanov's first government literally spent the entire strategic hard currency reserve of the country in a matter of weeks. By this time all economic sense was abandoned. The liquidation of the strategic hard currency reserve, considering the existing debt and the export potential of the country, meant bringing the country to its knees before its creditors.

The decision to liquidate the country's strategic hard currency reserve is also a criminal decision, because it deprived Bulgaria of its sovereignty over its economic policy. All these characteristics of the economic situation in our country are proof of the magnitude of the crimes committed by the Bulgarian Communist Party and its ruling upper echelon against our people. Proof of this is the fact that the party of socialists, which tenaciously resists parting with its power, can bring us in the future new evidence of disregard for national interests, which it sacrificed easily in the name of its party ideology and egoism.

#### National Bank Official on Interest Rates

91BA1063A Sofia DELOVI SVYAT in Bulgarian  
26 Aug 91 pp 1-2

[Interview with Georgi Petkov, chief of the Bulgarian National Bank Economic and Monetary Analysis

Administration, by Mara Georgieva; place and date not given: "The Bulgarian National Bank Retains the Right To Intervene Even More Decisively"]

[Text] [Georgieva] What does it mean, in terms of the Bulgarian economy, that the Bulgarian National Bank [BNB] has assumed control over interest rates?

[Petkov] By assuming control over the interest rates, the BNB is pursuing a deliberately anti-inflationary policy. To this effect, the bank is guided by the specific economic circumstances and is trying to follow developing trends, including those triggered by noneconomic factors. It has been noted that today the Bulgarian economy can be strongly influenced by interest rates on bank loans and on deposits made by companies and private citizens. This is logical, on the one hand, against the background of the still substantial amounts owed by companies to the banks. On the other hand, however, it is not entirely logical, considering the considerable lag of interest rates compared to the growth rates of consumer prices, for however high an interest rate may be in absolute terms, if it fails to cover entirely the losses caused by inflation, suffered both by depositors and banks, in the final account it gives borrowers an advantage.

[Georgieva] What factors motivated the decision of the bank to set a new prime interest rate of 54 percent?

[Petkov] At the beginning of June, when the government decided to liberalize the prices of fuels and energy, the economists anticipated price increases averaging 25 to 30 percent. That is why, starting with 10 June, the bank raised its prime interest rate from 45 to 52 percent. Statistical data, however, showed that the price increase in June did not exceed 5.9 percent. An additional outside indicator was the substantial drop in the exchange rate of the basic convertible currencies against the leva. This led the BNB, one month later, to lower the basic interest rate to 47 percent. Currently the drastic and, in the majority of cases, insufficient economically substantiated price increases of basic foodstuffs and the overall political instability on the eve of the elections, as an additional destabilizing factor, strengthened inflationary expectations. Also eloquent was the lowered interest in the leva expressed in the rather fast increase in the rates of exchange. That is why the BNB, without resorting to drastic measures, allowed a moderate increase in the prime interest rate. This increase falls within the so-called signal limits, i.e., it indicates the intention of the bank, if necessary, to intervene even more decisively in stopping the negative trends in the economy.

[Georgieva] A number of people link increases in the prime interest rate to the envoys of the International Monetary Fund to our country....

[Petkov] The government is working on the basis of an economic program coordinated with the IMF. However, it is only the targets that have been coordinated, while the specific steps to be taken are decided by us. At the time of the latest reduction in the basis interest rate, we informed the fund of our actions but the IMF has never

dictated to us any specific decisions. It is an advantage for us that once every three months the fund sends a mission to Bulgaria and we consult with its members. I can responsibly state that all decisions made by the BNB are made autonomously and independently of the IMF or the government.

[Georgieva] How will the new prime interest rate affect prices?

[Petkov] A higher interest rate has a restraining influence on prices along two lines. First, it stimulates the accelerated turnover of capital, i.e., it encourages the companies to try to market their goods faster. In order to do so, the companies must maintain moderately high prices, considering the present condition of consumer demand. Second, a high interest rate paid on deposits makes them attractive to the population. This leads to funneling the money into the banks and easing the pressure on the market, i.e., this limits and reduces consumer demand.

[Georgieva] As it were, companies and citizens can hardly breathe in today's economic situation. Is it possible for the new interest rate to finish them off entirely?

[Petkov] The interest rate does not have a one-dimensional influence on borrowers, for the worsening of their financial condition is usually accompanied by a drop in the rates of exchange of the basic convertible currencies to the leva. According to experts, the foreign exchange component in the material expenditures of the Bulgarian economy accounts for about 40 percent. Consequently, in the case of economies such as ours, which is greatly dependent on imports, a high interest rate will result in a reduction in company expenditures. Furthermore, with such an interest rate the bank protects the interests of depositors as well.

[Georgieva] Are mass bankruptcies of companies expected in our country?

[Petkov] I do not expect that companies will go into bankruptcy before two basic problems have been resolved. The first is for the government to complete the restructuring of the old company debts. The second, in order to have true bankruptcy there must be a real individual owner. The bankruptcy of a state enterprise means that the state will take over as the owner and pay the creditors and suppliers the amounts owed by the bankrupt company.

#### Economic Production During Jan-Jul 1991

91BA1042A Sofia DEMOKRATSIYA in Bulgarian  
19 Aug 91 p 3

[Central Statistical Administration report: "Compared to Last Year, Production Declined, but More Than 3,000 Firms Are Earning Well"]

[Text] All in all, for the first seven months of this year, based on current prices, goods worth 98.6 billion leva were produced, 79.0 percent in industrial commodities.

In comparable prices, production declined by 22 percent compared to the same period last year; industrial commodity output alone declined by 28.7 percent. One out of nine enterprises had a lower output because of uncertain marketing conditions, and one out of six, due to lack of material resources.

For the first six months, the average number of personnel employed in the public sector was 3.348 million, of whom 2.618 million were engaged in material production. The average monthly wage of the personnel for the half-year was 606 leva, including compensation funds.

**Industry.** Between January and July the sector produced industrial commodities worth 76.6 billion leva in current prices. Compared to 1990, the share of the value of the output owed to price increases has been rising steadily, from 41.9 percent in January and 63.5 percent in February to 78 percent in July. All in all, for the first seven months, the drop in commodity output, based on 1990 prices, compared to the same period last year, was 8.6 billion leva or 29.4 percent.

The production of most basic food staples continued to decline. In the case of meat, meat products, canned meat and fish, lard, margarine, vegetable cooking oils, rice, preserves, and cooked and semi-cooked meals, the decrease exceeded 40 percent compared to January-July 1990. There was a drop in the production of a number of energy-related products, such as electric power and coal; paper goods: cellulose, cardboard, corrugated cardboard, toilet paper, notebooks, and wallpaper; durable consumer goods: television sets, telephones, refrigerators, boilers, washing machines, cooking and heating stoves, and electric radiators; agricultural and garden tools; agricultural machinery, and others.

Compared to the first seven months of last year, output declined in all industrial sectors with the exception of the coal-mining and printing industries. As during the first half of the year the same sectors showed the highest drop in industrial output: the food, electrical engineering and electronic industries, the chemical and petroleum refining industries, machine building, the textile industry, and ferrous metallurgy. The drop in output in these sectors totaled 7.3 billion leva and accounted for 85 percent of the overall decline in output (84 percent for the first six months).

Meanwhile, in terms of 1990 prices, July production in said sectors (with the exception of the textile industry and electronics) increased compared to June 1991.

**Construction.** Compared to 1990 prices, the volume of design, geological surveying, and construction work declined by 327 million leva, or 11 percent below the first seven months of 1990. Due to difficulties in production activities, construction work worth 283 million leva was not performed. There were shortages of construction materials. The production of ferrous metal goods used in construction dropped compared to January-July of 1990. There was a drop in the production of the following items: cement, 45.7 percent; extruded

panels, 56 percent; construction lime, 23 percent; bricks, 28 percent; prestressed reinforced concrete, 55.3 percent. The volume of construction declined also as a result of the price increases in materials and the limited funds of investors.

**Transportation.** Income from transportation activities, in comparable prices, declined by 184 million leva, or 7.4 percent compared to the first seven months of 1990. The drop in freight and passengers transportation was the main reason for the lesser income of transportation enterprises, totaling 963 million leva.

**Trade and Prices.** Retail trade at current prices in the state and cooperative trade network totaled 17.1 billion leva, or 48.1 percent higher than the figure reached between January and July 1990. The value of trade in current prices dropped below the national average by 32.3 percent for Sofia, 46.9 percent for Plovdiv Oblast, and 47.7 percent for Razgrad Oblast.

The volumes of basic consumer goods sold in the retail trade during the first half of the year declined, compared to January-June 1990.

**Agriculture.** The amount of basic crops harvested by the farms by the end of July 1991 was lower compared to the same date last year.

Compared to the same period in 1990, in the first half of 1991 production declined by 168 million liters, or 12.9 percent, for milk, and 342 million, or 24.9 percent, for eggs. The decline occurred essentially in agricultural enterprises as a result of the reduced number of animals, which was by 26.5 percent for milk and 41.5 percent for eggs. In the population's private farms milk production increased by 25.7 percent.

The number of all types of animals, with the exception of poultry, increased in the private farms. This increase, however, cannot compensate for a drop in the number of animals in public farms.

The drop in the amount of vegetables and fruits purchased by the population, particularly from the farms, is due to organizational weaknesses (uncontracted-for amounts, lack of transportation facilities, etc.), as well as to the greater opportunities for and interest in marketing the produce at free cooperative markets, commission trade, or directly supplying trade organizations by the producers. Let us add to this reduced population demand, the producers' rejection of demanded purchase prices, and others.

**Financial Results.** The Law on Bookkeeping was enacted on 1 April. It introduced substantial changes in the nature of most indicators. In the first half of 1991, nonfinanced state, municipal, and cooperative enterprises showed a profit of 3.6 billion leva. Compared to the same period in 1990, using comparable indicators, and on the basis of current prices, earnings rose by a factor of about 2.3. Compared to the first quarter of this year, profits rose by about 400 million leva.

The 3,217 profitable companies and enterprises showed a profit of 6.168 billion leva. The highest profits were those of companies in the food and petrochemical industries.

A total of 1,266 enterprises and companies ended the first half-year with negative financial results. Their total loss amounted to 2.521 billion leva. The highest losses were incurred by companies and enterprises in the power, transportation, and metallurgical industries.

By 30 June the summed-up debt of nonfinanced state, cooperative, and municipal enterprises (excluding agricultural) exceeded 72 billion leva. The amount of debts of the surveyed enterprises was some 11 billion leva, or 18 percent higher than the balance-sheet value of their long-term material assets as of 30 June 1991.

The anticipated output for August is about 17 billion leva, 13 billion of which is commodity output.

**Individuals Laid Off for the First Half of 1991 Because of Closing Down of Enterprises, Production Facilities, and Sectorial Reductions**

Sector	Number (in thousands)	Percent
<b>Total</b>	183.0	100.0
Material Production	159.0	86.8
Including:		
Industry	73.2	40.0
Construction	23.4	12.8
Trade, machine tractor stations, and purchasing	25.5	13.9
Nonproduction sphere	24.0	13.2

**Basic Reasons for Decline in Industrial Output Compared to 1990 by Sector**

(million leva in current prices)

	Scarcity of Raw and Other Materials and Complementing Items		Unsecured Production Marketing		Closing Down of Production Facilities or Work at Reduced Capacity	
	June	July	June	July	June	July
Ferrous metallurgy	114	63	—	—	69	87
Electrical engineering and electronic industry	179	158	102	71	64	47
Machine-building and metal-processing industry	72	39	195	169	105	51
Chemical and petroleum refining industry	216	316	108	110	7	8
Textile industry	28	25	43	48	29	24
Food industry	168	177	69	76	43	45

**Retail Price Indicators for Basic Groups of Commodities for May, Based on April, June, and July 1991**

Basic Groups	Percent	
	May/April	July/June
Foodstuffs	99.39	105.61
Alcoholic beverages	101.24	100.20
Tobacco goods	102.44	99.12
Clothing and shoes	100.37	102.77
Housing, heat, light	104.01	120.26
Household furnishings	100.50	120.58
Cultural and social life	96.16	104.33
Hygiene and health care	106.49	111.73
Mail and transportation services	102.17	118.03
Taxes and fees	97.29	103.20
Other	103.98	111.17
Overall consumer price index	100.76	108.39

**Minister Porubiak on Czech-Slovak Relations**  
91CHO901A Warsaw RZECZPOSPOLITA in Polish  
30 Aug 91 p 6

[Interview with Martin Porubiak, deputy prime minister of Slovakia, by Barbara Sierszula; place and date not given: "History Does Not Like To Repeat Itself"]

[Text] [Sierszula] Mr. Prime Minister, the government of Jan Carnogurski has lived through its first 100 days and met with a positive response, even from the opposition. You gained power as a newcomer and an outsider. How would you assess this initial period?

[Porubiak] The conflict that has resulted in the replacement of the prime minister and in a new cabinet in Slovakia was due to both personal and policy factors. There has been no fundamental change in orientation, and many ministers remain in the cabinet. I would say that the government has had to change in order to maintain its previously set course of economic and institutional changes. Public Against Violence [VPN] is consistently promoting the implementation by the government of the scenario for the economic reform and supporting the retention of the federation with the Czechs.

Prior to the elections a majority of the political parties and groupings proclaimed similar programs. Nowadays this is no longer so. The Movement for a Democratic Slovakia [HZDS] desires a confederation. The Christian Democrats support this desire, but the Slovak National Party champions total independence for Slovakia.

[Sierszula] The VPN program, which you support, lacks the support of society, and hence the government must feel isolated.

[Porubiak] In last year's elections VPN deputies to the Slovak parliament and to the Federal Assembly of the CSFR were elected for two two-year terms of office. Now that the political sympathies of the public have shifted (the VPN is supported by only 5 percent), if we want to respect the principles of parliamentary democracy, we should wait until the next elections when voters will again decide on whom to bestow trust as their elected representatives.

[Sierszula] What are the reasons for the public's rejection of a program that had had so many supporters barely a year ago?

[Porubiak] They are both economic and political. In the course of the past year we in Slovakia have experienced serious crisis situations, with the government taking unpopular decisions. The first crisis, last fall, was linked to the Language Law. Had parliament adopted the draft law proposed by the Slovak Motherland Union rather than that proposed by the government—as it fortunately has not done—we would have been facing nowadays a complicated international situation. The other factor in the public's rejection of the parliament and the VPN

program was associated with the recall of Prime Minister Meciar. Now the situation has become somewhat calmer.

[Sierszula] But attempts to refashion the parliament presidium are continually being done.

[Porubiak] The HZDS opposition posed this issue three times, but each time it failed to gain a majority of votes. Thus the membership of the presidium remains the same ever since the elections and supports the government. I do not know how long we shall retain [power]. The VPN is prepared to go over to the opposition.

[Sierszula] Public Against Violence favors a federation and a common state with the Czechs. But voices in favor of marked expansion of the autonomy of the Slovak Republic are heard more often. The idea of a single [Czech-Slovak] state as interpreted by Masaryk and Stefanik is withering on the vine.

[Porubiak] The future shape of the state is a problem that divides the society. Here a major role is played by the demagoguery of the nationalists, who are assisted by the economic situation. Given the marked economic problems— inflation, unemployment, and loss of markets—a culprit was sought and found. The idea that the Czechs are responsible, in that they are exploiting the Slovaks, is being readily and willingly accepted by the population of Slovakia, although there are no grounds for it.

[Sierszula] But conflicts between Czechs and Slovaks had existed even before World War II. During the Benes Presidency greater autonomy for Slovakia was demanded by, among others, A. Hlinka and J. Tiso.

[Porubiak] I would say that history's appraisal of these relations is ambivalent. In 1918, following the collapse of the Austro-Hungarian monarchy, we had been an underdeveloped nation of farmers, lacking a nobility, an intelligentsia, and civil servants of our own, and we wanted to escape Hungarian domination. Without cooperation with the Czechs no Slovak republic would have been possible. It was only after 1918 that Czech teachers, civil servants, physicians, and lawyers came to us. They contributed to the establishment of the Slovak University. To the Czechs this marriage was at the time also favorable. Had they remained by themselves within their historical boundaries after the collapse of Austro-Hungary, they would have been a minority vis a vis the Germans. Desiring to establish a national republic, they leaned on the theory of "Czechoslovakism," because only Czechs and Slovaks together would form a majority as opposed to the Germans, Hungarians, Poles, Ruthenians, or Ukrainians.

[Sierszula] Supporters of the confederation keep emphasizing nowadays that the idea of the single statehood for both Czechs and Slovaks and of the creation of "Czechoslovak" nationality gave birth to the Slovak tragedy, because Czechs and Slovaks continued to live within a single state.

[Porubiak] The conflict began when, after some 15 years, Slovakia created—with the intellectual assistance of Czechs—its own intelligentsia, who thirsted for the influential positions heretofore held by Czechs in Slovakia. The pressure for greater emancipation grew, but the Czechs refused to make concessions.

Following the Munich Diktat of 1938, Slovaks gained autonomy, and subsequently, under Hitler's pressure, established a state of their own that was a vassal of Hitlerite Germany. At that time Czechs had been deported to their own lands. Subsequently, when the Slovak national uprising against the fascist state erupted in August 1944, the desire for the rebirth of the Czechoslovak republic was voiced.

[Sierszula] But the postwar years, too, did not result in harmonious relations between Czechs and Slovaks.

[Porubiak] The episode of the six-year Slovak State (1939-45) caused the Czechs to lose their trust in us. The reciprocal agreements and treaties concluded after the war, e.g., the Kosice Program, were not respected, and the autonomy of Slovakia was curtailed. In 1946 elections in our country were won by the democrats. Two years later, after the communist putsch, the Czechs again mistrusted us, because we were insufficiently communist.

[Sierszula] It looks a bit like the two nations could not mesh ideologically.

[Porubiak] In 1968 aspirations toward autonomy revived in Slovakia, and at that time a federation harking back to the Pittsburgh Agreement of 1917, which defined the joint state as a federation of two independent nations, was established. It was then that the now-current term "Czecho-Slovakia" was also used.

But after August 1968 and the Soviet intervention the era of normalization set in. The federation began to exist only on paper, and Slovakia was ruled by the centralized government from Prague.

Although my views are definitely profederation, I must understand and explain the history of our mutual relations with the Czechs, a history of broken promises and violated agreements after World War I, after World War II, after the year 1948, and after the year 1968.

[Sierszula] What accounts for the present suspicions [of Czechs]?

[Porubiak] Now that a statehood agreement between our republics is being mentioned, please do not be surprised that Slovaks want it to be based on a solid legal foundation; they have a surfeit of words and want deeds.

[Sierszula] You once mentioned that fortunately the Czech-Slovak conflict has never reached the dimension of Yugoslavia. You are not shooting at each other.

[Porubiak] I believe that this shall never come to pass. If we want Europe to accept us, we must prove that we

Slovaks can live in harmony with Czechs in a single state. Should we prove incapable of that, we shall lack credibility in the eyes of our European partners. To me giving such proof within the framework of the Czech-Slovak federation seems to be the most important thing. Let alone the consideration that the separation of Slovakia from Bohemia would not only cause major economic complications but, once again, place us within the Soviet sphere of influence, and that would not be positive.

#### Frantisek Miklosko's Political Profile Drawn

91CH0866A Bratislava NOVE SLOVO in Slovak 15, 22 Aug 91

[Article by Marian Lesko: "Power Is Granted by God"]

#### [15 Aug p 24]

[Text] Until fairly recently, plays for power, power which was said to derive from the "people," were being acted out in the chambers and lobbies of the one and only state party. Their results did not interest anybody, because they only changed the cast, and actors were assigned their roles and scenario ahead of time. Now things are different. We choose our playwrights and actors and they in turn choose the scenario of their own play, in which we, whether we want to or not, must participate. We can applaud them, we can boo them, but we cannot—for some years—chase them off the stage. And therefore it is not perhaps altogether without purpose to be interested in who these people in the glare of floodlights are, how did they come to stagger onto the political stage, and what they are muttering into their beards. Maybe we shall then understand more clearly what this play, in which we find ourselves as citizens and voters, is all about. And who knows, maybe we shall even come to like somebody from our new political elite, because we need to choose at least one.

After his memorable speech to the Slovak National Council [SNR], Cardinal Tomko granted an interview to our television and radio. He discoursed on the theme whether a true Christian should go into politics, because that is generally a rather dirty business. In his opinion, a Christian can be active in politics only under the condition that he remains one while so active. "And the better a Christian one is, the better a politician as well," the cardinal concluded his musing.

I suggest that we test whether it works that way: Who in Slovakia is the best Christian among the politicians? To my mind the answer is clear—Frantisek Miklosko. And now let's ask—who among the Christians is the best politician? Excuse me, Cardinal, but it does not work out that way....

#### Faith and Politics

When reporters pestered Frantisek Miklosko with questions as to whether he is not afraid that during the restructuring of the Presidium he may lose his position,

the chairman decided to respond "in somewhat biblical terms": "I sort of take it that power is bestowed on one by God....it used to be understood that way. I accepted the position of chairman of the Slovak National Council in that sense.... If I am recalled from that position, I will again accept it in that sense, I believe quite calmly." Indeed, anyone would be hard put to raise doubts about whether he is a man of strong faith who respects the commands of the church. It is interesting that in the discussions in the coalition he, a Public Against Violence [VPN] representative, reminds the Christian Democratic politicians not to order ham sandwiches, because it happens to be a day when it would not be appropriate....

On the other hand, his political opponents like to remind him of the ethics of religion, Milan Knazko or Vladimir Meciar, for example. The former minister of foreign affairs was the first person who used against him the paraphrase of the slogan which greets our compatriots in the nearby foreign country: "Do not deceive, Ferko, the Lord can see you." And Vladimir Meciar also likes to tell a story about how he once took the chairman to task for generally not behaving as would have been proper, upon which Mr. Miklosko asked him not to talk about it because he already made a confession of it. We also learned from Meciar that the chairman believes in evil spirits, because several days after being elected to the chairmanship he invited an exorcist to his office, an evictor of evil spirits, who did everything necessary to assure that he would not be disturbed there.

It is simply a fact that Frantisek Miklosko has always been close to religion and the church. Not only physically (he used to live in Nitra in the Calvary, just next to the church, his parents brought him up to be a Christian, many clergymen and missionaries visited in their home, etc.), but spiritually as well. For 20 years his confessor has been Bishop Korec, unrecognized and persecuted by the socialist state, and today Cardinal Jan Chryzostom Korec. It is therefore perfectly natural that he entered politics as a man of faith. He was a member of the dissident group, its religious part, which demanded above all freedom of religion.

At the time when things began to move in November 1989, he was mainly preoccupied by the legal proceedings which the regime was conducting against Jan Carnogursky. As he himself said later, he had no time or energy left for other things. He understood it then as a struggle on behalf of his friend, and thus also on behalf of all the other accused. He sat in the courtroom from morning to evening, and remained apart from what was taking place on the square, what Budaj and Knazko were doing. He thought of it only as something that could either help or do damage to his friend. At the last session he whispered to Jan Carnogursky that 200,000 people demonstrated on a square in Bratislava, and in Prague as many as half-a-million. Even later, when Carnogursky was out of prison, events that were taking place still somehow did not touch him, because he has always been working only with groups in the religious movement and he therefore remained in a way on the sidelines. Only

later was he asked by Budaj at a rally whether he would not like to represent Catholics and Christians in the new movement, and so he entered the main political stream of the new times.

#### Friends From the Dissident Group

What did Frantisek Miklosko bring to politics from his past? Strong ties to the church and some of its representatives, strong friendships among the dissidents, particularly with Jan Carnogursky and Jan Langos, and, of course, his character. An impulsive one, with a liking for the grandiose statement and gesture, which his opponents like to use against him. It is enough to recall the pasta feast in the Federal Assembly [reference to Miklosko's invitation to all deputies after the resolution of the 1990 crisis to attend a Slovak pasta feast], or the words uttered in the tabernacle of Slovak writers in Budmerice. True, not all his jokes come off, but the very fact that he lightens up the heavy atmosphere of political discussions by telling jokes makes him personally sympathetic.

The long-time friendship of Frantisek Miklosko and Jan Carnogursky is a generally known fact. Today we already know also some details, such as that it was Jan Carnogursky who helped him look for a job after he left the academic institute. He found one for him that was rather exotic, in a mountain-climbing detail which cleared out breaks in the mountains to prevent boulders from falling on the railroad tracks. The future chairman of the Slovak National Council wandered through the mountains for more than a year, and he even experienced being chased out of the station restaurant in Kralovany because of the advanced ripe condition of his overalls. Those who were there even just once know that they are not particularly given to excessive elegance there. Later, emulating Jan Budaj, he tried his luck in a furnace room, but he failed in his struggle with the coal furnace. Despite all his efforts the fire went out, for which the workers during that hard winter showed their appreciation in the proper manner. That was the last time in his life that he worked in the heating business, and he complained about it to Jan Langos, a former colleague from the Institute of Technical Cybernetics, who, in contrast to him, was quite successful in the same line of work. Miklosko then took up repairing churches and parsonages.

#### A Movement and a Movement

How did a man, who once used to calm down a classroom full of unruly children—he spent one year teaching mathematics in a school—by telling them a never-ending story about the adventures of a fictitious countess or baroness, find himself at the head of the Slovak National Council, where it sometimes requires the forcefulness of a lion tamer to calm down the deputies? After the election victory and coalition disputes between VPN [Public Against Violence] and KDH [Christian Democratic Movement] about whom to make chairman of the Slovak National Council, a compromise acceptable to both sides passed—the fact that Miklosko is bodily in

VPN and spiritually in KDH. His explanation, why he stayed in VPN when his friend founded a movement that was just made for him—Christian Democratic—is interesting. He answers all reporters' questions in the same way: VPN has been a lifelike experience for him because it is a community of people of various religious affiliations and views, who in spite of those differences are able to live together. Therefore, it is a kind of model picture of coexistence on a small scale that should be carried over to society on a mass scale. He makes no secret of it that in this model he wants to be on the side of the Christians, or that he wants to be an intermediary between KDH and VPN. He says that, quote, "after the natural dividing process started and new parties began to come into being, it seemed somehow clear and natural to me and Janko Carnogursky that I should stay in VPN." Note, that even though he speaks about his membership in VPN as being his independent decision, he nevertheless mentions Janko Carnogursky....

And so if Frantisek Miklosko stayed in VPN in order to "experience people who in spite of differences of religion and views manage to live together," he should have, first and foremost, advocated and defended this principle of "coexistence." Whether that is really the case, we shall talk about next time.

[22 Aug p 24]

[Text] Frantisek Miklosko did not join the movement of his friend Jan Carnogursky, but stayed in VPN mainly because—in his words—he wanted to continue cooperating with a group of people who, in spite of differences in religious affiliation and views, managed to live together and push through the ideas of democracy, tolerance, and culture. It was precisely in this group that he wanted to represent the Christian willingness to cooperate. An opportunity to prove his resolve came soon.

#### I Will Not Allow Such a Game

As early as October 1990 a disagreement between the prime minister and one of the ministers escalated into a conflict which threatened the new coalition. It is not known what the SNR chairman did to prevent it from escalating, but it is known that when the unappeasable prime minister placed in his hand a quiet, almost secret, resignation, he was—in the words of Milan Knazko—very much inclined to accept it. But at that time Fedor Gal was of a different opinion, and it was mainly thanks to his effort that in the end it was the minister of interior who had to resign.

All considered, it is rather difficult to claim that during the breakup of VPN Frantisek Miklosko made even only a slightly higher effort to come to an agreement and cooperate than the overwhelming majority of his colleagues in the movement; true, not all of them stayed in the movement in order to nurture the ideals of tolerance toward people of different opinions. When only the "Meciar faction" walked away from the night session of

the VPN Slovak Council, he confided to a SMENY reporter that his strongest feeling was relief, although according to all indications it should have been a feeling of disappointment that people who could have worked together for democracy, tolerance, and culture parted ways. Two weeks later, when the new platform still stood on very infirm legs, some of its representatives came to the meeting of the Slovak Council with conciliatory proposals for some kind of modus vivendi under the common umbrella of the VPN. Although Frantisek Miklosko was not the only one who spoke up against such proposals, it must be noted that he expressed himself rather strongly: "At a time when you are coming here to find accord, the prime minister continues in his campaign against the VPN Slovak Council. We are not children, and I will not accede to such a game. Key to what to do next is how Prime Minister Meciar will proceed. We cannot and will not remain silent about the fact that he wants to destroy us."

Throughout all the developments concerning the Prime Minister many wondered where in the kindly and soft Miklosko so much resolve, toughness, and determination came from. Petr Prihoda, who followed his actions with unconcealed admiration from far-off Prague, even wrote that in order to bring this fight to a victorious conclusion he had to undergo a considerable inner struggle, thanks to which he "grew into a Slovak of European caliber." As one of the few brave ones he defended Slovak parliamentarism, at the cost of personal risk and sacrifice, against the superior strength of political barbarism, claimed Petr Prihoda. Very well then, in this case he faced risks and fought—but on whose behalf and for what? Really for Slovak parliamentarism? It is difficult to avoid having certain doubts....

#### Majority Will Push Through Its Agenda

Let us take, for example, the fundamental question of Slovak parliamentary system—whether the composition of the Slovak National Council should or should not be reflected in the composition of its presidium. In vain do "proportionnalists" insist on their truth, in vain do they point out that that is the way it is in all parliamentarily mature countries around the world, even in the Czech National Council and the federal presidiums. When Frantisek Miklosko was asked directly why not proportionality, he answered: "The law of politics is ruthless in the sense that the absolute majority always gets its will. I told the Slovak National Party at that time: Excuse me, but I do not know yet who you are. You have been here only a short time, your program is thus far very unclear, and we must wait until it crystallizes into a definite form. That is why we do not admit you to proportionate representation. Not recommended." He told other opposition parties approximately the same thing. If a "Slovak of European caliber" understands parliamentarism this way, then it is quite possible that after future elections, as a possible member of an opposition party, he will hear from people in the new governing coalition speeches of a mechanically inverted kind: "Excuse us, but we already know very well who you are. You have been here too

long and your program is entirely clear to us, and we have known for a long time what concrete form it crystallized into. Therefore we do not admit you to proportionate representation. Not recommended." If that is the kind of parliamentarism we shall have here, then we must pity Slovakia. And point out that its precedent and tradition were also set by Frantisek Miklosko.

Recently, a study delegation of the Slovak National Council returned from a sojourn in the United States. The Congress tried to impress on them one lesson: "You must not make discriminatory laws or measures, society evolves, and you never know if such a time might come when you will be in the minority. When you make laws, make them in such a way that there is nothing in them that you would not want to work against you some time in the future." What then is closer to the substance of parliamentarism—the precept "Do not do unto others what you do not want them to do unto you," or the statement of Mr. Miklosko that "the law of politics is ruthless—the absolute majority will have its will"?

#### Always Together

When Frantisek Miklosko set out to fight the "unconquerable" Meciar, the reason obviously was not so much the values of Slovak parliamentarism, but something much closer and tangible. To the vacated position of prime minister came a man with whom he is personally and politically very close. It is enough to recapitulate the closing speech of the SNR chairman before the deciding vote on confidence in the presidium. He did not speak about the fact that Meciar's manipulations with State Security materials were proven, he did not recall his foreign travels, nor the dysfunction of the government, he concentrated only on one point: If the opposition wins in this vote, it will result in Slovakia's isolation and a definite Czech-Slovak split. Precisely the same argument was used by the new Prime Minister of the Slovak Government before the parliament.

The support that Jan Carnogursky gets from Frantisek Miklosko has to be, because of its fervor, sometimes even a bit unpleasant for the Prime Minister. When, for example, a member of the KDH Council, Tibor Bohm, criticized the chairman of his movement for being too careful in promoting the national interests, for giving in and not defending the KDH line in Prague, the top man of the Christian Democrats was sturdily defended by the man from VPN—Miklosko. He rejected all opposing objections as unsubstantiated, and although Bohm did not answer him in exactly the most amiable manner, one thing he nevertheless did not say—why does he concern himself with this matter when it is an internal affair of KDH? Obviously not even he considers the chairman of the Slovak National Council to be an "outside" man.

Miklosko did not join in the defense of Carnogursky against Bohm just in this one instance. At the briefing, which took place in KDH toward the end of June, Messrs. Carnogursky, Klepac, and Bohm denied to reporters that there are streams of opinion in the movement, and admitted only to "differences of opinion." These came to light immediately; upon Klepac's statement that the movement is united by two principles—Christianity and democracy—Bohm belligerently announced that he considers the main principles to be Christianity, the national principle, and debolshevization. So that—and probably not by chance—democracy dropped out of it. Next day, to the surprise of many, came the announcement by Frantisek Miklosko in his interview for RADIOPRAGUE that he sees the return of bolshevism to Slovakia, in contrast to the Czech lands, as on the whole realistic, and that for that reason he advocates debolshevization. After Jan Carnogursky granted an interview to LIBERATION it is obvious that this was no chance—by joint effort they stripped Bohm of his slogans, nationalism and debolshevization, and they can now say before any forum that they do not understand what Bohm is after—that he is, in effect, breaking down an open door.

When the SNR chairman speaks to questions that go beyond the usual political routine, we can find obvious signs of where his answers probably come from. According to him, for example, it is decisive for the new division of Europe what religion or church is dominant where. There are countries where the Orthodox religion is predominant, and countries where the Roman Catholic Church is in the majority. In Istanbul, where representatives of the Orthodox Church from all over the world met, the dialogue with the Vatican is said to have been broken off, which was also borne out by the encounter of church officials in Vienna, where the Russian Metropolitan impulsively spoke out against any ecumenical agreement. Miklosko is afraid that there will come about a much deeper division of Europe than we have seen thus far, and indeed a more dangerous one, because it could be done under the "cloak of a natural process." "Communism divided us by force, religion, which affects people's mentality, will do it more profoundly and quite naturally."

Obviously this is not the only instance when Frantisek Miklosko looked at events and problems of this world from the viewpoint of religion and his church, and it is also no exception that his specific political acts end up benefiting Jan Carnogursky. His credo, according to all indications, can be briefly expressed thus: What is good for the church and for Carnogursky is also good for me. At the same time it also tells us what we can expect from him in his future political activities. After all, he himself said in the end: "It is part of a kind of life's wisdom of mine that someone else has always paved the way for me—I merely followed it." No offense, but for a "Slovak of European calibre" that is not quite enough.

**Municipality a Success Story in Free Enterprise**

*91CH0856A Budapest MAI NAP in Hungarian  
5 Aug 91 p 6*

[Article by F. Istvan Takacs: "Kozarmisleny Is Importing Working Capital"]

[Text] A few months ago we did not even know where to look for Kozarmisleny on the map. Since then, however, things have happened that make it worthwhile to slowly learn the name of this hamlet of Baranya County. The milestone was epitomized by last year's local government elections, when a genuinely dynamically minded self-government came into office under the leadership of Mayor Miklos Ferenc.

It is easy for them, they are an affluent community, the neighbors observe. And it is a fact that today there are not many places in Hungary that can boast of having a completed infrastructure. Piped water, gas, electric power, and pavement are commonplace in this area, and the sewer system will be ready by year's end. Out of some 1,000 buildings, 800 have telephones, and the rest are without phones only because they did not apply for them. There were entrepreneurs who, when asked whether they wished to have a telephone as they purchased their lot and answered affirmatively, by the time the lean-to for the structure was erected they could already install the device—in the shack!

But this is not the only amazing thing here. All of it is due to the fact that the new self-government sees the world from a different perspective than is customary nowadays. Miklos Ferenc observed that one should not bemoan the shortage of money but should strive to create the opportunities from which profit may be made. According to the mayor, the one who makes out best, if the entrepreneur is imaginative, is the individual who is able to con more well-to-do entrepreneurs to come here. He continued that what ensures a solid future is not to try to rip off citizens in constantly novel ways. Rather, much more headway may be made if possibilities are created for the expansion of the tax base. For this reason, local and migrant entrepreneurs were granted 25-year tax exemptions. In this way individuals retain more of their funds, which they can in turn invest. By the same token, an increase in the number of citizens is useful to the community as well because on one hand taxes from the larger income base may defray expenses of their self-government and on the other because those entrepreneurs who settle in the community create jobs. Can this be stepped up? Yes, it can. Not long ago a foundation was created in gratitude to the Kozarmisleny government for its tax exemptions so that, if it should so decide, out of the saved funds consequent on the decision, it could kick in some for the village. The contributions would be tax-deductible.

In entrepreneurial circles, the initiative hit "bull's eye." Several dozen individuals planning to settle in Kozarmisleny started to build, among them people from Budapest. One planned to build a wine-bottling plant,

another a restaurant, others a coffee house, a gasoline station, a car wash, an automobile salesroom, a supermarket, a casino, a bank, and a trade center. For all that, the village's leadership did not remain uninvolved in planning projects. One of their dreams is that the riverbed now choked with reeds be filled with water and that on the banks of the prospective lake created in this manner, a recreation center, safari park, and a Disneyland should be laid out. There the neighboring 200,000 inhabitants of the city of Pecs could relax and have fun. Kozarmisleny also has two hot water sources, which the village authorities plan to have checked out in the near future to determine whether the Harkany basin would be endangered. If not, then there would be no reason not to build a 50-bed policlinic. Indeed, plans for a 60-room hotel with a casino on its roof are also being considered.

Thus, there are plans galore, including those which have already been implemented. For instance, there is a 30-channel cable television network meeting top European standards, thanks to which, naturally, viewers may also receive the programs of the local studio. But the apartments not only take but also give inasmuch as every building makes fire or burglar alarms available. Additionally, this is the first location in the country where a private bus service was in operation. Yes, this is now over inasmuch as the Majoros Bus Line discontinued service early in July. It is not for financial or people-related reasons that the Volan Company's competition came to an end since Majoros could more or less cope with it given that toward the end of its existence some two-thirds of those who commuted to Pecs did so on the Majoros Bus Line, among other reasons because its commutation tickets were 30 percent cheaper than on the Volan buses. But the neighbors of Gyorgy Majoros of Pecs were less enthusiastic about his noisy, puffing buses, and for this reason they filed several complaints against the entrepreneur. At that time the mayor promised in his electoral campaign that the village would have its own bus service, and lo and behold, he delivered on it. But he would not like this to be the end of the story of the Kozarmisleny bus. For that reason, in the new situation, he is considering the realization of a service run by the self-governing community.

Even with the approaching visit of the pope, Miklos Ferenc had an initiative. He proposed that on the occasion of the pontiff's mass in Pecs, the local families should receive the visiting foreign pilgrims free of charge as guests in the village and in the event that the inhabitants supported this idea, he would advertise their proposal in Western papers. Beyond selflessness, this plan would have offered an outstanding opportunity to establish links in the interest of initiating tourism in the village. But of the 1,000 homes, there were only five affirmative answers, and for this reason the advertisement in the papers was not implemented. The mayor explained that people are reticent, yet it would be good if they went abroad and saw how free enterprise operates there. Of course, should somebody by happenstance call at their place in mid-August, they would not drive the

guest away and they would not like to relinquish the possibility of making connections either. For that reason, they recently joined the Kolping Family Association, which is active in over 30 countries in the world.

Kozarmisleny will be the shangri-la of entrepreneurs, said Mayor Miklos Ferenc, who has himself been an entrepreneur for 20 years. He started as a simple, self-employed electrician and today, while he is away, a manager is running his prosperous delivery service, and he is planning the establishment of two new firms. But even that is not enough for him when he is managing village business. A good example of this is that at the end of last December he purchased in a flash 12 kilometers of wastewater piping and with this he earned six million forints for the village given that the price of the commodity was raised in January. "There was an opportunity present and I took advantage of it," said the mayor, whose big dream is that Kozarmisleny should emulate the Liechtenstein model and a customs-free zone should be established. It is possible that in a year or two we shall assist at the preliminary ceremony of a town christening and that the name of the newborn will be Liechtmisleny.

#### Independence of MAGYAR NEMZET Questioned

91CH0864A Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 19 Aug 91 p 28

[Article by Krisztina Koenen: "Not Yet a Respectable Paper: How Free Is Hungary's Free Press? Conflict Over the Widely Read Daily MAGYAR NEMZET"]

[Text] A poll was recently taken to determine which institution Hungarians trust the most. The media were the undisputed winners, markedly ahead of political parties, the parliament, and other political and social organizations. The antagonism of the communists towards the media and their attempts to exercise complete control over it contributed greatly to this myth. It was reinforced by the role played by the radio and press in discrediting the communist system during its final years. Hungary's new politicians and political parties have also succumbed to this mythicizing of the power of the media. There is no other explanation for the sensitivity of the governing coalition in particular to coverage of its activities: Press bashing has become almost routine.

For several weeks now, the daily newspaper MAGYAR NEMZET (Hungarian Nation) has been in particular turmoil. Six journalists, including two department heads, have been dismissed, and two other department heads have been relieved. Three other editors had already been fired some time prior to this. The present wave of dismissals is the climax of the year and a half-long conflict over the privatization of the MAGYAR NEMZET. Whereas for most daily newspapers the transition from state-owned to independent enterprise was largely problem-free (most found foreign

buyers), for the MAGYAR NEMZET it was the proverbial invitation to disaster. Sandor Petho, father of the current editor in chief, Tibor Petho, began the paper in 1938 as a conservative-liberal daily newspaper. Sandor Petho, one of the few independent personalities of his time, was a friend of the father of the present prime minister, Jozsef Antall. The fathers did not pass on their friendship to their sons, although the two know each other well. As the organ of the "Patriotic Popular Front," the MAGYAR NEMZET became an advertisement for socialist freedom of the press after the communist takeover. The paper nearly always had more to say than the other papers, thanks primarily to a few courageous employees who knew how to make the most of every bit of latitude they had. Some of these individuals are among those recently fired.

Even before the Hungarian Democratic Forum victory in the April 1990 elections, attempts were made, first by the party and later by the government, to make the MAGYAR NEMZET, which at the time was Hungary's most widely read newspaper, into a party or state paper. Prominent members of the Democratic Forum had offered the editorial staff the financial support of the party in the association that would be established. After the election, the MAGYAR NEMZET journalists were offered the opportunity to enter into a special relationship with the government. In both cases the editorial staff declined, and in summer 1990 it decided by a majority vote to accept the buy-out offer of the Swedish newspaper DAGENS NYHETER. However, pressure by the government and Prime Minister Jozsef Antall forced the newspaper to make a deal with the French Group Hersant, whose good relationship with the Democratic Forum was general knowledge. At the time, Geza Jeszensky, the present minister of foreign affairs, wrote a letter to the MAGYAR NEMZET in which he attempted to defend the government's intervention. In it he stated that the DAGENS NYHETER, with its "leftist liberalism, is not in tune with the national liberalism still popular in Hungary today."

Since the dispute last year, the newspaper has been in a state of uncertainty. The editorial staff was split, and circulation dropped. The conflict reached a climax in early summer when it came time for the election of a permanent editor in chief. Although the opening had been announced to the public, no candidate could be found who was acceptable to all concerned. Consequently, following the takeover of a block of shares by Hersant, Tibor Petho had been appointed provisional editor in chief. However, the appointment of Petho was also controversial. Many still remembered the article he had written in 1968 supporting the [orthodox communist] restoration in Czechoslovakia. Furthermore, without consulting the MAGYAR NEMZET staff, Petho had concluded an agreement with Hersant regarding its financial involvement in the paper. He had done this in 1990, thus before negotiations had even been opened with DAGENS NYHETER.

In any case, the majority of the staff did not want to see Petho continue as editor in chief, and voted against him. This was quite likely due to fears that Petho could agree to an increase in the amount of capital owned by Hersant, thereby enabling it to control a majority of the MAGYAR NEMZET stock. The first dismissals occurred 10 days after the election.

Although the dismissal notices listed the pending reorganization of the newspaper as the reason for the firings, there was considerable indication that the journalists had been trapped by their criticism of the governing coalition. A few weeks ago, an internal memorandum on the reorganization of the MAGYAR NEMZET stated that the "lack of political understanding in the domestic policy and economic departments" was an obstacle to the development of the political character of the newspaper. In a television interview, Petho explained what sort of political character this should be: "In times as difficult as ours, an established and respectable newspaper is an ally of the proper governing policy; its task is to support this policy."

The chief editor of the news department, Laszlo Csaszar, has been fired. His assistants, Istvan Boros and Istvan Javorniczky have been relieved; they are fervent opponents of Hersant and made no secret of this attitude while serving as chairmen of the editorial committee during the negotiations with the French news firm. Bela Weyer, department head of the economic editorial staff was fired after it was reported that he had grumbled

about "pessimistic economic reports." According to Weyer, another economics editor was dismissed because he had termed the French bid to modernize the Paks atomic power plant inadvisable. It was only after Tibor Petho had announced on television that the dismissals had forestalled a conspiracy by a "small, liberal minority" that the editorial staff decided to bring the issue to the attention of the public. They published a motion of no confidence against Petho, signed by 53 of the 70 editors. It stated that Petho had not represented the interests of the editors to the other owners, as is called for in the editorial statute. Furthermore, in numerous cases he had violated applicable labor laws.

The events surrounding the MAGYAR NEMZET are alarming not only because they are likely to lead to the ruin of what once was an outstanding daily newspaper, but also because they reveal a ominous trend in the Hungarian media: It is a journalist's political conviction, not his journalistic ability, that determines whether he will find work. It brings up bad memories when an article which is critical to the government can jeopardize one's job. Erzsebet Berkes, who was fired from her position as cultural editor, then rehired following protests by the MAGYAR NEMZET staff, wrote in an open letter: "Do you know how difficult it will be to write something I do not believe? This is not Paris. We have no journalists here like Raymond Aron, who retired because his paper changed its position. (Editors note: Aron ended his lengthy career with Figaro when Hersant took over the paper.) Here we can only wait and let them pound on us, because otherwise we starve."

**Future of Reduced Arms Industry Uncertain**  
*91EP0676A Bonn WEHRTECHNIK in German No 8, Aug 91 pp 54-59*

[Article by Michael Ruck and Guenter Kozianka: "Poland's Arms Industry—Its Problems With Conversion and Its Prospects"—first paragraph is WEHRTECHNIK introduction]

[Text] To evaluate the problems of the Polish defense industry, it is indispensable to understand its place value and its previous development in the Polish economy. A statement in this connection would hardly have been possible two years ago. The reporting in the Polish press—unusually frank and active compared to the previous situation as a result of the democratization in Poland especially in the last year and a half—on problems in the Polish defense industry and discussions of these questions at scientific meetings now allow us to give a picture of the situation in the Polish defense industry. Its future is now the subject of a controversial discussion in connection with the elaboration of a new Polish defense doctrine. Hence the following arguments can only more or less describe the current state and possible development trends, for the prospects of the Polish defense industry have not yet been determined for certain. With respect to the authors, Dr. Ruck completed studies in Warsaw on the conditions in the Polish defense industry, whereas Philosophy Diplomate Kozianka is active in the area of information science and evaluates and translates sources in the East European area.

**Serious Changes in the System of Polish National Defense**

As a result of the political and social changes which have taken place in Poland, its armed forces find themselves in a completely new situation. The main task is to overcome the structural remnants of the old Army. At the same time, it is necessary to perform tasks having to do with the presence and withdrawal of the troops of the Northern Group of the Soviet Army. In addition, it has become necessary to undertake substantial measures in the eastern part of Poland, on the border with the Soviet Union, measures whose realization during the country's affiliation with the Warsaw Pact was neither advisable nor possible.

**New Command Structure: The Defense Minister Is a Civilian**

To reform the organization of the national defense, last spring an interministerial commission under the leadership of Prime Minister K. Zabinski proposed, in addition to the institution of a civilian defense minister, the establishment of the following three deputy positions:

- Social relations and education;
- Questions of defense policy and planning;
- Armament and military infrastructure.

In contrast to before, they are all to be civilian positions. There is also supposed to be a military national defense post that deals with the command of the Army. It is to be headed by the chief inspector of the armed forces, who is also chief of the General Staff. This personnel union is supposed to limit the bureaucracy and improve the command system of the Army.

Besides the question of the separation of civil defense from the structures of the defense ministry, they also dealt with the question of the reform of the defense industry, which produced some controversies. That has to do in part with the import and export of weapons. There was a discussion of the extent to which the state should be involved in these matters.

**A New Defense Doctrine Is Forced**

The principles of the reform of the organization of national defense should coincide with the defense doctrine, which has not yet been completely formulated. This work is now being forced in the General Staff and in the Security Council. Subsequently the questions are to be formulated that have to do with the financial side of reform. The reform project has to do with the amendment of some laws such as the law on military service and civil defense, the law on state enterprises, and 32 regulations of the National Defense Committee. After coordination with the prime minister and the National Defense Committee, the reform project will be presented to the president of state and is then to be realized in the second half of 1991.

**Reduction of the Polish Armed Forces From More Than 400,000 to 270,000 Men**

Other than the modification of the command structure, one of the main tasks in Poland is defined as the reduction of the numerical strength of the armed forces from 400,000 originally to 270,000 men. This necessity results from the changed political and military conditions. It should be emphasized in this connection that the number of 270,000 soldiers was not determined on the basis of military analyses but that it is the result of a political forecast involving the developments in Europe and with Poland's neighbors. The national armed forces will be numerically weaker and comprised of career soldiers to a considerably greater extent than before. Some of these troops will be kept on standby alert for a short-term operation in the event of a crisis situation. Similar provisions involve the air forces. The defensive forces will be changed as little as possible, whereas the offensive forces will be reduced quite substantially. The strength and structure of the reconnaissance and transport flying forces will remain unchanged. The naval forces will also be reduced. The hope is that these plans can be realized before the end of this decade. In connection with the international situation, these events naturally have consequences for the Polish defense industry.

### The Polish Defense Industry

After World War II, Poland found itself in the Soviet sphere of influence and was organized in accordance with Soviet notions. In the 1950's, also at the urging of the Soviet Union, Poland undertook tremendous efforts to establish its own defense industry practically from the ground up. Utilizing Soviet deliveries of equipment and licenses, production capacities were created that corresponded with the tasks emanating from the military doctrine of that time. The industrialization of Poland guaranteed a relatively stable basis for the defense industry.

### Capacities Were Aimed at the Case of Conflict

The Polish defense industry continued to employ substantial resources for the development of its capacities until the beginning of the 1980's with a view to needs in the event of a crisis and the Warsaw Pact provisions for arms production. A decision was made, for example, on the production of the T-72 tank and its capacity at the cost of huge investments in coordination with the Soviet Union at the level of the old top political command. Today the almost total fixation of important arms enterprises on the production of arms is seen as a primary cause of the problems in a conversion of production. The large capacities of the Polish defense industry could never be totally utilized from an economic point of view and in the case of export receipts one must always see Poland's substantial outlays for the defense industry.

In the view of Polish insiders, nevertheless, the defense industry was still a flourishing branch of industry three years ago. The Warsaw Pact ordered tanks, armored personnel carriers, radio stations, and other military equipment. There were dependable "rules of the game" and a precisely determined production potential had to be kept ready at all times for a possible war. The state bore the costs for this "readiness for war."

### Status Enterprises Are the Core of the Defense Industry

Heretofore the Polish defense industry has had 82 producing enterprises with the legal status of an enterprise of the defense industry along with the associated preferences and restrictions. In the 1980's, the 82 status enterprises together with more than 250 cooperating enterprises of various branches produced more than 90 percent of the products for national defense (armament, military technical equipment, and material for the rear). In the individual enterprises, the share of military production the overall value of production ranged from 1 to 86 percent. The rest was made up of products for the civilian sector that were technically similar to the produced special output (construction equipment and machinery, trucks and special vehicles, radio and television sets, farm machinery, locomotives, light aircraft, helicopters, and so forth).

Parts of the Polish defense industry have traditionally had a large share of civilian output. In 1989, the output of the enterprises that produce for the armed forces

made up about 8 percent of all Polish industrial products. Only 3 percent of that went for defense products. Overall about 60 percent of the capacity was used for civilian production.

The Polish defense industry was never set up to cover all the demands of the armed forces with all kinds of arms and equipment. And the range of produced products has thereby declined. Poland did not cope with the pace of the arms race, especially in regard to the research and development of military equipment. They had to stop independent production of combat aircraft and missiles. Heretofore about 25 percent of the equipment and armament of the Polish Armed Forces was imported.

In view of the significant deviations in the requirement level for the individual years in the area of armament and military equipment, the production of special products also played a role for exports, which were intensively supported by the state.

### Arms Heretofore an Important Element in Polish Exports

The export of arms is one of the proofs of the magnitude and capacity of a country's defense industry. From this point of view, Poland has heretofore taken a place behind the large countries in the arms business. Along with such countries as the CSFR, Belgium, Holland, Spain, Sweden, and Switzerland, Poland, with a share of arms in the overall volume of exports and imports amounting to 6 to 7 percent, also stood in the second rank of weapons exporters, so to speak. To be sure, it was only from 1978 through 1980, and in 1984, that significant export surpluses were achieved in the arms area (in the range of \$400 million to \$600 million). In so doing, Poland dealt in arms with 17 states from 1983 through 1987.

In 1989, a list of the 20 best Polish exporters from the point of view of their export share in all output sold was published for the year 1988 on the basis of the so-called "List of 500." With an export share of 77.99 percent, the Bumar-Labedy Combine for mechanical equipment in Gleiwitz holds 13th place. In terms of the value of the exports, the combine held second place in the country. But Bumar-Labedy is a large tank producer that in times of less openness modestly called itself a producer of cranes (only 5 to 7 percent of the overall production). The combine exported armored weapons for \$234 million in 1986, for \$170 million in 1987, and for just \$147 million in 1988. A decline in the demand for tanks was obvious even at that time. Based on statistical data, in 1986 that was 3.6 percent of the Polish receipts from the trade on a dollar basis with a positive import/export balance for all of the business done in this area. It was about 2.4 percent in 1987 and approximately 1.8 percent in 1988. Besides Bumar-Labedy, additional information in the above-mentioned list shows another three enterprises for a total of four that may be identified as arms exporters. Not on the list but named in the associated text was the combine Stala Wola, which together with

another enterprise occupies fifth place in terms of the value of exports on the scale of the nation and is known as the largest Polish arms enterprise.

#### Arms Exports Were a Good Business

The lucrativeness of the arms business in times of good export opportunities for Poland is clear based on the kilogram price for arms exports. Accordingly, 1 kg of tanks exported brought \$38, 1 kg of guns \$36, and 1 kg of missiles \$228. In comparison, the export of 1 kg of the Polish passenger car Polonez yielded only \$1.75.

The export of Polish arms began in the 1950's. Since then it has been handled through the Central Engineering Administration (CENZIN) of the Foreign Trade Ministry, a special foreign trade agency for military exports and imports. Until 1960, Poland exported to the socialist countries infantry weapons, 57-mm antiaircraft guns, 122-mm and 85-mm guns, and 82-mm and 120-mm mortars produced primarily on the basis of Soviet licenses as well as ammunition. In 1959, MiG-17 fighter aircraft were delivered to the GDR, for example. Exports were also made to Indonesia—radar stations of the type NYSA, which were also sold to Egypt in the 1960's. Other exports included R-123 radio stations, and I-1 and Mi-2 helicopters, with 5,000 of the latter. They began to export tanks in the 1960's. T-54's went to Libya, Egypt, and Iraq. T-55 tanks were the main component of exports in the 1970's. Altogether 3,000 T-54 and T-55 tanks were exported through 1980, including to India. Beyond that, primarily infantry weapons, artillery ammunition, and MiG-15 and MiG-17 fighter aircraft were sold. New types of weapons offered were ground-to-air missiles, antitank missiles, and jet-propelled ISKRA training aircraft developed in Poland, of which 50 went to India alone.

In the 1980's, the main export articles were the T-72 tank and MTLB armored personnel carrier, built under Soviet license, as well as radar and antiaircraft systems of Polish design. Besides tanks, Polish amphibious landing ships were an export hit over many years. In Poland, representatives of the special foreign trade agency stressed that the receipts from the export of weapons would have exceeded any civilian business in terms of foreign-exchange profitability.

#### Current Conditions in the Polish Defense Industry and Its Problems in Arms Conversion

The worldwide disarmament process, the end of the cold war, and the collapse of the Warsaw Pact had a substantial influence on the position of the Polish defense industry. There was a fundamental change with respect to the scope and structure of the orders from the National Defense Ministry and other former buyers of the products of this branch. Traditional deliveries over many years were discontinued and the scope and structure of imports of raw materials, supplies, and products

of strategic importance changed. The system of cooperation and planning that until just a few years ago was supposed to continue into the distant future is collapsing.

#### The Weapons Embargo Against Iraq Was the Last "Nail in the Coffin"

The previous foreign partners in cooperation and buyers find themselves in a similar or even worse situation than the Polish defense industry. For this reason, there are not great hopes in the possibility of the development of new markets for the production of arms on a larger scale. But even as late as December 1990, Army General Jaruzelski, then commander in chief of the Polish Armed Forces, in a circular to the arms enterprises called on them to do more for national defense, even though others were already advising all these enterprises to convert to civilian production and not to expect any miracles. But the last nail in the coffin of important arms enterprises, according to publications in the Polish press, was the embargo on the export of weapons to Iraq and other states involved in the Gulf conflict.

#### Substantial Cuts in Requirements by the Polish Armed Forces

In addition to the decline in export possibilities, the extent of the reductions in demand on the part of the Polish Army was already substantial by 1989. Whereas at the beginning of 1989 the expenditures of the Defense Ministry still amounted to 1.007 trillion zlotys, because of inflation they were already 1.982 trillion zlotys in October 1989 after corrections in the budget law. Whereas in 1986 34 percent of the expenditures went to the purchase of arms and equipment, 23 percent for training and use of equipment, and 7 percent for investments, in 1989 the respective figures were 24, 18, and 2 percent; 56 percent of the defense budget had to be spent for the provisions, health protection, and remuneration of the soldiers. That is reflected in the orders of the enterprises of the defense industry. Thus, for example, at the Niewiadom Works for precision instruments, a producer of ammunition, mines, and missiles, the share of production for the Polish Army still accounted for 87 percent of the value of production in 1987. It was down to just 58 percent in 1988 and about 39 percent in 1989. In 1990, there was a preliminary orientation of 12 percent with simultaneous information that further cuts were possible. For 1990, the Polish Army completely cancelled the requirement for antiaircraft defense systems and antitank mines and limited orders for other products. In connection with the reduced requirements, the financial share of the Defense Ministry in the Polish state budget fell from 8.5 to 5.7 percent from 1978 to 1989, about 3 percent. In terms of fixed prices and the volume, that was a decline of 25 percent. The consequences of the inflation in 1989 caused a real decline of 16 percent in defense outlays. There were further reductions in 1990 in real terms. The defense budget was called the "survival budget," for it could only cover absolutely necessary expenditures, and investments were

not possible. In addition, for a time in 1989 the Polish state owed the enterprises payments for received shipments, e.g. 7 million zlotys to Bumar-Labedy.

The international and internal conditions of Poland meant, among other things, that in the years 1989 and 1990 the arms enterprises did not achieve the profits that they had planned. There was a precipitous fall in the value of the output sold. Thus, the value of the sold products of 28 key enterprises declined by almost 50 percent in the first 9 months of 1989. In addition, the degree of utilization of production capacities in all arms enterprises was extraordinarily low. It was about 20 percent lower in special production and 50 percent lower in civilian output. At the same time, the employment ratio in the individual enterprises declined by 4 to 15 percent.

#### **Economic Crisis and Conversion of Property Relations Are Exacerbating the Difficulties**

Under the conditions of the current economic crisis, the conversion of the property relations in the national economy—which also affected the enterprises of the defense industry—further worsens the difficulties of these enterprises. Particularly the provisions of the economic program that was set in motion by the government of Mazowiecki and has been implemented vigorously since the beginning of 1990 exacerbate the difficulties of the Polish defense industry. "The introduction of the market mechanism will mainly determine the freedom of price formation with the general elimination of regulation and compulsory prices. Along with this, there will be equal treatment of the economic branches, which will be expressed in the elimination of relief and tax exemptions for particular branches.... At the same time, an austere monetary policy will be pursued with respect to the economic units." Precisely with a view to the regulations to be eliminated, on the basis of the "Status for Enterprises of the Defense Industry," the enterprises of Poland's defense industry enjoyed a number of preferences over the enterprises with civilian production, preferences that were restricted as early as February 1989. They had two effects. First, they ensured interest in arms production and the further development of the necessary potential. Second, however, it was the opinion of Polish experts that they had the effect that efforts to increase efficiency—through the initiation of buffer production—to improve the utilization of the overall capacities on the basis of secured profits through tax relief were not sufficiently effective.

#### **Problems With Conversion in the Enterprises**

In connection with the declining demand for arms in other countries as well, the Polish press is pointing out problems in the defense enterprises. There is the difficult position of enterprises in which special machines and equipment have been installed that are suitable only for armaments production. And there are the large problems

of enterprises whose production is foreseen mainly for national defense, problems that are expressed as follows:

- Increase in unit costs through reduction of the size of orders;
- Necessity of longer times for the conversion of production;
- Shortage of raw materials, supplies, and foreign exchange for the conversion.

This situation in the Polish defense industry leads to problems or situations in conversion that may be characterized as "classic."

#### **Alternative Products Sought With the Greatest Possible Technological Application and Solvent Demand for These Products**

A key problem in Poland as well is that of the difficulties in developing alternative products and coordinating them with the existing demand. It is not only a matter of the skillful use of new production capacities that are becoming available but much more of the mastery of new technologies and the study of the Polish and international market with respect to the marketing of the new production. As the example of Poland shows, the national market is too limited to utilize the production capacities in an alternative manner under economically favorable conditions. Thus, in the case of Bumar-Labedy, cranes and special equipment for mining, for the production of which the plant would be most suitable, can hardly be produced, for there is a lack of solvent demand in the country. Symptomatic for this was the statement in 1989: "The Army takes the tanks but does not pay for them, for it has no money. Mining, in turn, does not take the machines, because it does not have any means of payment." For this reason, for a long time, Bumar-Labedy acted in a reserved manner with regard to the conversion of production and hoped for arms orders from abroad. When the decision was made on the weapons embargo against Iraq, the combine Bumar-Labedy was supposed to deliver another batch of tanks. But it was too late and no money was received. The Defense Ministry, once again solvent, bought 62 of these tanks, almost out of pity, for about 200 million zlotys, although this money was actually designated for other purposes. But this improved the financial position of the firm for only a short time. The civilian production undertaken by this combine remained unsold. The firm Krupp has now announced an order for certain elements. The combine wants to take advantage of this offer. Another large arms enterprise, the combine Stala Wola, is in a similar situation: armored personnel carriers not sold abroad and losses as a result of a lack of orders from the country's own army. But for years this enterprise has been cooperating with loading equipment companies in the United States and Japan, so that it is getting by. Things are not so well, for example, with the enterprise WSK Swidnik, which produced helicopters mainly for the Soviet Union. It is at least doubtful in the present situation whether the production undertaken there can be sold.

At the Niewiadów plant for precision instruments, entire production lines were dismantled and only the buildings could be used for such new production as a sewing shop, for example, that is in part quite alien to it. In the debate about conversion, such a breach was seen as a last resort. So the hope was expressed in Niewiadów as well that the remaining armament capacity, which they wanted to maintain on account of supposed state interests, could be used for exports. It was also apparent in this enterprise that it is very difficult to acquire the capital for conversion, although they are seeking cooperation with foreign partners in civilian production, e.g. with France for the production of camping trailers.

#### **State Assistance for the Arms Enterprises Is on the Agenda**

At the beginning of 1991, none of the arms enterprises had yet lost its credit-worthiness. At most there were difficulties making payments. But that alone produced fear of "tomorrow" among the management and members of the work force of arms enterprises. This led to a conference on 15 February between government representatives and union representatives of a large number of important arms firms. The government side admitted that the problems already named did not arise because of any fault of the arms enterprises and that their solution would take some time, for the government had not made any decisions. Beyond that, it was determined that specific system solutions with respect to the defense industry should be tackled during the month of March. The government delegates turned to the Council of Ministers so that it could put on the agenda and resolve the question of the compensation of losses that arose as a result of the embargo of arms deliveries in connection with the Gulf crisis.

#### **Effects of Arms Conversion and Possible Prospects for the Defense Industry in Poland**

The answer to the question of what the effects of conversion will be is not simple, for no cost-benefit calculation is being made in the conversion of the enterprises of the defense industry to civilian production. It is apparent from the general analyses and experiences in Poland that conversion requires substantial investment outlays that have to do primarily with the acquisition of new technical equipment.

#### **Modest Possibilities With Respect to Conversion Effects**

The atmosphere with respect to conversion favored for a certain time the rise of particular myths about its effects. Initial cost estimates (about 500 billion zlotys) have in part disillusioned those who were of the opinion that conversion means immediate and substantial benefits. One must understand that the possibilities are quite limited.

And one must not see only the immediate benefit—conversion without taking into account losses that are difficult to measure such as unemployment, which has

already become a mass phenomenon in Poland. Here one must find an answer to the question of whether the employees in the defense industry will find jobs in the civilian sector of the economy, which is experiencing a deep crisis.

#### **Guarantee of Reconversion and Modernization Demanded**

In connection with the question of the effects of conversion, Polish military economists stress that one likewise cannot speak of effects and costs without taking into account a possible "reconversion" and economic mobilization. Moreover, the national defense requires significant outlays even in a time of disarmament and conversion of the defense industry. Technical progress forces a continuous modernization of armament and equipment. There is a natural law under which every five to six years in production a new prototype series of an improved weapon system appears, the acquisition and operation of which costs 10 to 12 times as much as the old system.

#### **International Arms Cooperation Sought**

As a logical conclusion from the political and military-technical developments, it is seen that only in cooperation with other countries can Poland's own defense industry be renewed in accordance with the defense doctrine that considers military and economic aspects of security. Today the political and security problems can likewise be resolved only in the scope of larger communities of nations. Today one must strive at any price for the unity of Europe and the establishment of a security system that provides for broader partnership including in the area of conversion and the production of arms.

#### **Defense Economic Policy in Difficulties**

It is thought that today the tremendous difficulties in the implementation of the defense economic policy would be intensified in that the provisional defense doctrine is accompanied by a socioeconomic doctrine that is even less consistent. To be sure, the government camp relied on the program of Solidarity. But with the rapid splitting of this movement, the large increase in the number of parties, and the formation of temporary coalitions of various groups, the development of a consistent social and economic doctrine becomes more remote. In addition, the social transition to the West European model of capitalism is taking place with a chaotic reorientation of foreign trade and declining production in the basic branches of the national economy.

#### **Preservation of State Arms Enterprises Demanded as the Core of the Defense Industry**

On the basis of the developments to date in and around Poland, the following conclusions are drawn for defense economic policy. First of all, one must mention the pressure on long- and medium-term goals in favor of short-term or even immediate objectives. A typical example of this is the pressure to satisfy consumption requirements and the renunciation of investments in

national defense or in industrial branches oriented toward national defense. The results are meager, conversion is far from complete, and there is a clear reduction of the production capacities of the defense industry. The costs for market products from arms enterprises are too high and are not competitive. In such a situation, the only reasonable conclusion for the defense economic policy is the protection of the core of the defense industry, that is, selected enterprises. One must not allow the enterprises that supply the armed forces with basic weapons and equipment to go bankrupt. One must also preserve the scientific-technical base as a factor that maintains the close contact with the process that was brought about through the revolution in arms technology. Here it is mainly a matter of personnel and laboratories as well as relations with civilian science and technology. Despite more and more signals of dangers, the necessary legal and organizational regulations do not yet exist. Of great importance here are the methods for the management and control of the entire process of the establishment and use of the defense economic potential, in particular in view of the fact that Poland is doing away with the command and central planning system in the economy. To be sure, the fundamental right of the state to have a say in the defense industry is not being questioned but in discussions one hears simply fantastic demands for the complete and immediate privatization of the defense economy. That would mean the total

demobilization of the defense sector. But it must be stressed that the installations responsible for national defense are resolutely resisting these extreme proposals.

The concept of the interministerial commission named at the outset for the reform of the Polish national defense system provides for the preservation of state arms enterprises working in accordance with separate legal regulations, under which, for example, self-administration and trade-union rights are restricted, which, by the way, corresponds to the practice heretofore. But the number of these enterprises should be greatly limited. Their output is considered indispensable to guarantee the security of the state. In this context, the involvement of the state budget is seen as an important question in the development of the industrial branch.

#### **Partial Privatization of the Defense Industry in Sight**

In general, it is currently assumed in the Republic of Poland that only 10 of the status enterprises of the defense industry already named will remain and not be privatized. A second group of 17 enterprises can be privatized but only after the express approval of the government. These enterprises should only be transformed into joint-stock companies with majority ownership by the state. The rest of the enterprises should be fully "civilianized."

**Bucar Urges Croatia To Create New Model State**

91BA1059B Zagreb *DANAS* in Serbo-Croatian  
13 Aug 91 pp 25-27

[Interview with Slovene Assembly President France Bucar by Dejan Jovic; place and date not given: "Knocking on Europe's Door"—first two paragraphs are *DANAS* introduction]

[Text] The president of the Slovene Assembly talks about the ideal balance of power between DEMOS and the SDP [Party of Democratic Reform] in parliament, about the reasons for military aggression and the Army withdrawal, about Europe, which will definitely recognize Slovenia, about Croatia, which will have a harder time achieving this, and about the attitude of Croatia towards the Serbs who live there and about the mistakes that could be made.

*DANAS* is publishing a series of interviews with the presidents of all the republican assemblies in Yugoslavia. The general theme of the series is the national interest and parliamentarism.

How to define the Slovene national interest, about which there is agreement by the vast majority, if not all, of political elements in Slovenia, was the first question that we posed to the president of the Slovene Assembly.

[Bucar] I think that the question of interest is always a subjective assessment. But what is the national interest? This is an abstract category that we always derive through a quantitative method, and for that very reason it is difficult to say what the objective, true national interest is. If you take a referendum, or plebiscite, as the criterion for defining the national interest, then this means counting, addition, which is a quantity. Thus, one cannot say that the true national interest would in fact be indicated and appropriately defined in this way every time. But despite all these possible qualifications, I must nevertheless say that the true Slovene national interest is primarily our drive for independence, because we cannot develop our potential if we are not an independent nation. Thus, our national interest is to decide our own affairs independently and to choose the best ways to do so ourselves. I am not trying to say, however, that the national interest can always be realized only on a national level. It is also possible to realize it on levels that are below or above the national one. All this depends on various circumstances that politics cannot ignore. Our sovereignty does not mean that decisions on all questions must be made at home. We decide things independently, but we put these decisions into effect on various levels, working together with others. Naturally, however, we are opposed to having decisions about what our national interest is made anywhere else.

[Jovic] Do you think that there is more or less agreement today between the political elements in Slovenia concerning what the Slovene national interest is than there was before?

[Bucar] I think that awareness of the need for national independence is so strong that it is far ahead of all other goals of the Slovene nation today. This was seen in the case of the recent aggression against Slovenia as well. People of different views and interests were completely unified in this question.

[Jovic] Is there also this degree of agreement concerning the way in which this interest is to be realized?

[Bucar] Well, here one could already start talking about certain differences. Many people—although it would be hard to say what percentage—maintain that the realization of these interests must happen more through ties with Europe than through ties with other, say, Balkan neighbors. Even though it is perfectly clear, especially to leading politicians, that we cannot simply break off our ties with our southern neighbors. For example, the Croats are our neighbors, they have been in the past and they will remain so. And for that reason we want relations with them that are as good as possible. And it is similarly in our interest that we preserve and strengthen the Yugoslav market, however much that is possible. That is why we want to cooperate with everyone to the extent to which our interests allow.

[Jovic] But it appears that relations between Slovenia and the others in Yugoslavia without exception, especially since the latest armed conflicts, have arrived at their lowest point. Could this have been avoided?

[Bucar] Of course it could have been avoided, if there had not been aggression against Slovenia. And second, a little more understanding for Slovene national interests and decisions was necessary among our other neighbors. We expected this. If it had been the case that we had more solidarity from others, then there certainly would have been awareness of some sort of Yugoslav identity. Now, however, we have arrived at the point where awareness of Yugoslav identity has reached its lowest point. Or rather, among Slovenes it has practically ceased to exist.

We were the first ones to propose the idea of confederation or some sort of institutionalized form of confederal life in general. We received no response to this whatsoever. Thus, it was not that this was rejected by others; they did not even respond. We achieved some degree of closeness with the Croats in our positions only a year ago. However, I must say that now we have once again become estranged as a result of this idea of Yugoslav identity, which has reached a low point in Slovenia. The Croats have offered their famous five points, which must be accepted as a package, and one of them—perhaps the main one—is the idea of a confederation. But I doubt that anyone in Slovenia today would support this. I do not know about the people in Croatia, but the official position of Croatia is just that, a confederalist one. We cannot accept that now.

[Jovic] Do you think that this rejection in Slovenia of any idea of a possible community of Yugoslav republics

is temporary or permanent? Is there any possibility whatsoever that it will once again become acceptable to a majority of Slovenes?

[Bucar] That idea is dead in Slovenia, even though there are some groups, which are becoming weaker and weaker, who are interested in something that could be reminiscent of some sort of community of sovereign states. But even that does not have the necessary support in Slovenia. No, today the Slovenes do not want that. This does not mean that we are against cooperation with others. Quite the contrary: We want [text missing]

Moreover, I think that precisely those who today are against any sort of cooperation, who reject any sort of talks, will realize even tomorrow, when it is necessary and useful for them to do so, that this attitude is sensible. Why would they renounce something that would be of use to them? We do not offer any sort of booty, but rather cooperation that will be beneficial to both sides. We are seeking this principle for ourselves, and we acknowledge it for others. Naturally, the question now is whether they will become aware of their interests, whether they will be able to recognize what is beneficial to them.

[Jovic] Do you think that the Slovenes thus far have always correctly recognized their interest? Specifically, it is heard not infrequently that independence could mean a decline in the standard of living.

[Bucar] Do you mean: Could that lead to social unrest?

[Jovic] Yes, and a worse life, at least for some period of time.

[Bucar] Certainly that could happen. And that is our greatest problem in the future. Because if we want to restructure our economy, then it is obvious that we must change all relations in that economy, decrease the number of people with jobs, close all unprofitable enterprises, decrease the size of state administration, and increase productivity. This is by necessity linked to major social shifts. There will in any event be tension, perhaps even on a large scale. Moreover, because we are becoming an independent state, we are losing the Yugoslav market. We cannot immediately replace it with exports to the West. That much is obvious, and for that reason there will be a decline in production, income, and the social stability of Slovene society. This will become a fundamental national problem before long. Another problem is that we have no social programs. Real socialism did not include social programs; it eliminated that sort of possibility *a priori*, featuring instead full employment.

[Jovic] Will people be talking despondently about "good old socialism" before long?

[Bucar] Naturally. That is already happening. I am already hearing people say, "Well, under communism things were much better than today." That is completely logical.

[Jovic] Does that mean that there could be a change in power in the next elections? What is your appraisal of the electoral chances of DEMOS if the elections were held today?

[Bucar] That is a big question. But in my assessment, DEMOS is in no danger whatsoever right now. Quite the contrary: If the elections were held today, DEMOS would carry the day. Once the social unrest begins, and the opposition is counting on that, our chances will be reduced. But if we are unable to change economic policy for the better, then we will know why we lost.

[Jovic] The cohabitation of the SDP and DEMOS is unique to the Slovene political leadership structure. Is a situation such as this positive, or does it create problems in the functioning of the system?

[Bucar] Everything in politics is chockful of problems. My job, as president of parliament, as some sort of director of a menagerie with various interests, is to see to it that it works to a certain extent. This conflict of interests is in fact the true meaning of parliamentarism. That is only a positive thing. I would even contend that with a little more maturity in Slovene society (which unfortunately is not yet present everywhere) this would in fact be an ideal situation: The ratio of DEMOS to the opposition in parliament is 55 to 45. The DEMOS majority is still a marginal force in parliament. In this way, the situation is such that it forces us to come to understandings. In this way, the results of the elections oblige us to reach the most rational decisions, adopted through mutual agreements. This situation is repeated not only in parliament, but also in relations with the Slovene Presidency. The different composition of these two institutions is ideal for formulating sensible policy. But if people are not mature enough for this type of relationship, then chances of a complete stalemate are great. In real life, however, one always lives between two options.

[Jovic] Previously, there was even talk of the danger of a split in DEMOS. Is the ruling coalition today solid enough that there is no fear of an "internal threat"?

[Bucar] DEMOS has never faced an internal threat. And these ties are even stronger when we face a threat from the opposition. A strong opposition strengthens DEMOS as well. Right now, we are momentarily in a position where it is necessary once again to strengthen DEMOS, even though many people have predicted its rapid demise. Specifically, we are entering right now into the most critical phase on our road to independence. We are continuing to move towards this goal, but the closer we get to it, the greater the problems will be. We harbor no illusions about the false notion that we have surmounted all difficulties.

[Jovic] Do you think that there could be renewed armed clashes, like those at the end of June? Or are you perhaps thinking of greater political blockades in Yugoslavia and the world?

[Bucar] There is a theoretical possibility of renewed military intervention, but practically speaking, especially because of the Army's withdrawal from Slovenia, this possibility is small. For that reason, I do not expect a renewal of this. But as far as a political blockade is concerned, it is already in force.

[Jovic] Did the military intervention come as a surprise to you?

[Bucar] Yes, it came as a big surprise to me. Admittedly, I had never ruled out the possibility, but nevertheless, to every foreign journalist who would ask me, "What happens if there is military intervention," I would respond, "That is practically out of the question." Still, theoretically I could not view it as out of the question, because we live in the Balkans, where the means of deliberation is not necessarily Carthusian. It was my opinion, moreover, that over the past two or three years the Yugoslav Army had demonstrated an exceptionally great capacity for rational adaptation to new circumstances. That is a fact, and for that reason I was counting on only a minimal possibility of military intervention. But it happened nonetheless.

[Jovic] And this second decision, concerning the withdrawal of the Yugoslav Army from Slovenia, did this come as a surprise?

[Bucar] That was more than a surprise. We did not count on that. Nevertheless, if the political options had been analyzed rationally, this clearly could not have been ruled out. If military analysts had correctly assessed our situation, then the likelihood of this decision would have been seen as very high. From the analytical side, this did not come as a surprise, but after all that had happened in Slovenia, we thought that there was a scant possibility that rational and analytical action would be taken.

[Jovic] Could you provide a little clarification of these analytical assumptions? What sort of strategic shifts, in your opinion, are reflected in the decision to withdraw from Slovenia?

[Bucar] The Army could choose between only two options: either to attack Slovenia with force and sheer brutality, or to withdraw. The rational decision was the latter.

[Jovic] Does this mean that, in your opinion, the Yugoslav Army decided not to occupy Slovenia?

[Bucar] No, because that is not in its interest.

[Jovic] Not even the first time, during those seven days of war?

[Bucar] The Army intervention in Slovenia was specifically aimed at occupation. That much is clear. The plan was to take over the border crossings and in this way practically cut Slovenia off from its neighbors, and once they were contained in their own pockets we could simply take over. That plan was completely clear. But we, too, responded explicitly: The Army intervention

will not succeed. Because an army without any sort of logistical support and the support of the population simply cannot occupy anyone. That proved to be true.

[Jovic] Is it not perhaps a little naive to assert that the Army wanted to occupy Slovenia by first taking over the border crossings and not, say, the television or the Slovene parliament?

[Bucar] The Army had a very bad appraisal of the situation. Their expectations were completely different. And not only the Army's appraisal, but also that of the West, which was surprised by this sort of behavior by the Army. They thought that the matter would be over and done with once they strolled through Slovenia, and that everyone would become frightened.

[Jovic] Do you think that diplomatic recognition of Slovenia is closer to becoming a reality now than it was before?

[Bucar] It is closer, but still a long way off. Because Europe sees recognition of Slovenia as a virus that could contaminate Europe itself. You know, the Baltic question, the Spanish question, and others. Interwoven in this is also relations between the great powers, between individual Western states, and so on. The matter is very complicated.

[Jovic] Do you think that for this reason it is possible that recognition will not come?

[Bucar] It will come, it will definitely come. We will definitely gain this recognition, sooner or later. Especially now that the Army is withdrawing, almost all the conditions for recognition have been met. Right now, in fact, we have control over the territory of Slovenia.

[Jovic] So what do you predict in this regard for Croatia?

[Bucar] You are in a better position to talk about that than I am. I do not want to stand in judgment, but I think that the Croats have made several essential mistakes, perhaps critical ones, and for that reason their path will be much harder.

[Jovic] Is it possible to correct these mistakes?

[Bucar] It is still possible, but it is becoming increasingly more difficult.... OK, I will answer the question, although I apologize if this sounds like a lecture. That is not what I want. Look, Croatia should have solved the problem of Serbian villages and areas in an energetically democratic manner. There is no reason for Croatia not to give Serbian enclaves not only cultural, but also full political autonomy. There is no reason for that. This would create a positive image in Europe, which for the most part has a negative appraisal right now. Second, Croatia would lose nothing whatsoever through this. And third, if you are really a democrat, then you are a true democrat to the very end, without exception. Moreover, Croatia could become a model for a new form of coexistence between various nations, and offer this model to Europe. The stubborn insistence on bringing

about a national state, known to us from the last century—and the Serbs and the Croats are equally guilty of this, because both groups have their own vision of a classical national state—cannot be accepted in the 20th century, when the idea of statehood is changing. No solution is possible on this basis, neither for Serbs nor for Croats. This engenders only new conflicts—and I apologize once again, I do not want to lecture you—but in this sense the Croats must in fact make an effort to arrive at a completely new model, which they have not done thus far. This is the burden that is weighing down on the Croats today, a burden that will essentially slow down the possibility of recognition of Croatia. In any event, we would like a stable and strong Croatia, because ultimately that is also in our national interest. For that reason, we are very interested in this new model.

[Jovic] Is there any truth to the report that Slovenia expected Croatia to show more resolve in joining Slovenia in resisting the military intervention?

[Bucar] I do not know if such expectations were present, but I do know that we were quite astonished that the Croats did not take advantage of the opportunity. This was most likely a unique opportunity that the Croats should have exploited. Not out of love for Slovenia, but in their own interest. That is my opinion.

[Jovic] President Tudjman said in his recent missive that Slovenia did not comply with Croatia's wish that Dr. Drnovsek continue to participate in meetings of the SFRY Presidency, and that the result of this was the isolation of Croatia's representative, Mesic. Nevertheless, Slovenia is now participating in the work of the SFRY Presidency. Is this only a temporary or a permanent decision?

[Bucar] This is a result of the Brioni Declaration, in which we agreed to participate in further negotiations on the future of relations in the territory of Yugoslavia. We will do just that, even though I do not think that it is even possible to reach any sort of agreement. Right now, the burden of these negotiations is on the other side; they must show us that they are capable of accepting some sort of agreement and that it is in our, Slovene, interest to remain in some sort of Yugoslavia. We are in fact already independent, and we do not have to prove anything more to them. Now it is up to the others, so that we can see what they have to offer us, what sort of cooperation. If they show us that, it will be in our interest to stay. But if they do not succeed in this, then there is no reason to stay in a community that is not of benefit to us, but is to our detriment.

[Jovic] What must be offered if Slovenia is to stay, what must be demonstrated?

[Bucar] That is a question to which I do not know the answer right now.

[Jovic] What is the price of staying?

[Bucar] There is no price! We are not willing to pay even 50 paras, symbolically speaking. Quite the contrary, it must be advantageous for us to stay, even for only 50 paras, if it is in our interest.

[Jovic] OK, but what are you seeking in these negotiations? What are your goals going into them?

[Bucar] In any event, we are interested in some sort of cooperation in trade. The problem of a customs union is already questionable, and a monetary union even more so, if we recall the raid on the monetary system.

[Jovic] And defense?

[Bucar] That under no circumstances. Not in principle, and not only because of these events. We do not need a big army. Who would threaten us in today's Europe? No one. If some great power were to threaten us, we ourselves could not do much about it anyway, but in that case we could call on the international community to rise up against aggression.

[Jovic] What sort of European integration and international organizations are you counting on most of all today?

[Bucar] We have absolutely no well-defined ideas on that. Europe will certainly not welcome us, or any of the Yugoslav republics, with open arms. We are moving gradually: first, with bilateral relations with our neighbors, then along a nonpolitical course, economically, culturally. We are trying to build that up, and then achieve political relations as well. This requires much time. We are mostly interested in financial and economic cooperation.

[Jovic] How would you respond to charges that Slovenia has a pro-German foreign policy and that its ties with Austria and Germany are too strong?

[Bucar] That is ordinary nonsense being propagated by Serbian diplomatic circles. We are not interested in cooperation with only certain partners, but rather with everyone. But the question is to what extent others are ready to cooperate with us. For now, Slovene interests are well received in Austria, and that is not a bad thing. Quite the contrary. If that is cause for some sort of suspicion among, say, the Italians, then that is a good thing, if it forces them to broaden their interest in cooperating with us.

[Jovic] European mediation, in the Brioni Accords for example, was not exactly received with open arms in Slovenia.

[Bucar] Not with open arms, but a large majority of the parliament nonetheless accepted the Brioni Declaration. We received it with resentment, but faced with the facts we had to do so in order to show Europe that we, as a nation, are credible and capable of reaching an agreement, that we are capable of negotiating in a European

fashion, and that the results of our joining in the agreement can be counted on reliably. That was the main reason that we accepted that document, which is, moreover, very advantageous to us as well.

[Jovic] It was seen on that occasion that nothing can be signed without the consent of the Slovene parliament. Is

this a sign of the strength of parliament or the weakness of President Kucan?

[Bucar] The Slovene parliament has an absolutely central place in Slovene politics. It is the absolute center. Without the parliament, it is impossible to bring about anything in Slovenia.

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